

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

Japan scales new  
peak in China  
trade, Page 12

## World news

## Business summary

### 28 killed in Beirut car bomb attacks

Two car bombs exploded in mainly Muslim West Beirut, killing at least 28 people and wounding 70. The blasts were widely seen as a response to two car bomb explosions that killed 67 people and wounded about 250 people in Christian East Beirut last week.

One blast occurred close to a restaurant and the other near a mosque, where people were heading for their noon prayers. An anonymous caller claiming to represent the hitherto unheard of "Black Brigades Organisation" pledged a counter-attack of annihilation against Christians. Page 2

### Sri Lanka talks

Sri Lanka peace talks between Tamil separatists and Sri Lankan officials which broke down may resume later this week, the Indian External Affairs Ministry said. Page 2

### Red Cross kidnap

Guzmen kidnapped the Swiss head of the International Committee of the Red Cross mission in the south Lebanese port of Sidon, security officials said.

### Uganda 'massacre'

A Roman Catholic newspaper in Uganda said it had discovered the skeletons of more than 2,000 people believed to have been killed by the army of ousted President Obote.

### Village bombed

Four Afghan aircraft bombed a Pakistani border village killing eight people and wounding 12, the Pakistani Government said.

### Jakarta trial

H. R. Dharsono, a former secretary general of the Association of South-east Asian Nations (Asean) went on trial in Jakarta charged with instigating three guerrilla bomb attacks in Indonesia last year.

### Tanker's toxic leak

Dozens of people received medical treatment and several homes were evacuated after a toxic chemical leaked from a tanker in Charleston, West Virginia. It was the third chemical emergency in eight days.

### Peru cancels jets

Peru has reportedly halted an order for 28 French Mirage 2000 jet fighters to set an example for disarmament in Latin America.

### Kanak death claim

A human rights team in the French Pacific territory of New Caledonia claimed a French police marksman killed Kanak independence leader Eloi Machoro in January.

### Separatist charged

Canary Islands separatist leader Antonio Curbelo was released on bail by a Madrid court after being formally charged with masterminding several bomb attacks in the late 1970s. Page 3

### Euthanasia change

A Dutch Government commission recommended that the law be amended to allow euthanasia in cases where patients in acute distress made a reasoned request to doctors to be helped to die.

### Czechs hold Havel

Czechoslovak police detained playwright Vaclav Havel in Bratislava, his second period in detention in a week, said political exiles in Vienna.

### 300 drown in China

About 300 people died when an overloaded Chinese ferry capsized and sank on the Songhua River near the Soviet border.

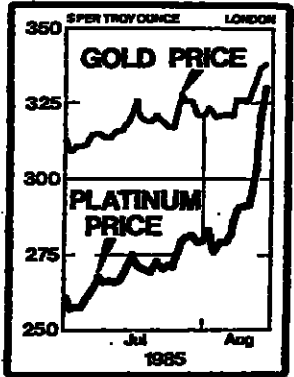
### Saxon Oil opts for bid from Enterprise

**SAXON OIL:** Majority of the board of the independent UK oil group recommended acceptance of a \$400 per share offer from Enterprise Oil which values Saxon at £120.8m (\$168m). Saxon had previously agreed a merger with Charterhouse Petroleum. *Lex, Page 14*

**WALL STREET:** At 3pm the Dow Jones industrial average was up 1.24 at 3133.96. *Page 34*

**TOKYO:** Equities moved higher on optimism over lower interest rates. The Nikkei Dow market average added 37.74 to 12,040.05. *Page 34*

**LONDON:** Stocks suffered widespread modest falls on general lack of interest. The FT Ordinary share index lost 2.6 to 972.1. *Page 34*



**GOLD:** rose \$1.50 on the London bullion market to \$338.75. It was also higher in Zurich at \$338.75. *Page 26*

**DOLLAR:** improved slightly in London, closing at DM 2.763 (DM 2.7575). *Page 26*

**STERLING:** lost just 10 points against the dollar in London to finish at \$1.9995. It was firmer, however, at DM 3.878 (DM 3.8715). *Page 26*

**BRITISH RAIL:** dispute over driver-only trains worsened with more services around London disrupted. *Page 14*

**THE WASHINGTON POST:** agreed to pay \$350m cash for 53 cable television stations owned by Capital Cities Communications. *Page 15*

**PLATINUM:** outperformed gold at one stage in London for the first time since mid 1984 as unrest in South Africa boosted precious metals. At one point both metals stood above \$340, but platinum fell back in active trading to finish up \$11 on Friday's close at \$332. Gold added \$1.5m to \$338.75, a high for the year. *Page 26*

**SINGAPORE:** four biggest ship repair companies have agreed to cut capacity by a third and working to 20 days a month. *Page 16*

**SNAMPROGETT:** subsidiary of Italy's state-owned energy group ENI, has won a £100m (\$63.2m) contract to construct a coal transport system in Siberia. *Page 4*

**BOTHMANS:** International, the South African-controlled cigarette group, denied rumours that it will make a counter bid for Arthur Bell & Sons, the Scotch whisky distiller, in opposition to the Guinness £300m (\$504m) offer. *Page 14*

**SANKO:** steamship's main creditor, Long-Term Credit Bank of Japan, expects to write off up to 80 per cent of its ¥80bn (\$538m) secured loans to the collapsed group. *Page 16*

**TEXTILE:** import limits proposed in the U.S. could seriously hurt the economies of countries in the Association of South East Asian Nations group, says Asean. *Page 4*

**HEWLETT-PACKARD:** U.S. electronics and computer manufacturer, returned net earnings of \$117m for the third quarter, representing a 13 per cent reduction on the previous corresponding period. *Page 15*

## South Africa cuts bank rate in bid to lift confidence

BY JIM JONES IN JOHANNESBURG

**THE SOUTH AFRICAN Reserve Bank** yesterday cut its bank rate by 1% percentage points, from today, in a move to restore confidence in an economy threatened by foreign sanctions and domestic unrest.

The interest rate cut, designed to prompt commercial banks to reduce their prime overdraft lending rates from 21 per cent to between 19 and 20 per cent, and thus provide a stimulus to the economy, was justified, despite the present "abnormal political conditions," Dr Gerhard de Kock, governor of the bank, said.

Domestic and foreign confidence in the South African economy fell on Friday, with the rand closing at 2.41 to the dollar following President P. W. Botha's failure to outline new reform policies in his speech in Durban on Thursday.

The bank rate, the rate at which the Reserve Bank provides accommodation to the commercial banks by rediscounting Treasury bills, will be reduced from 17% per cent to 16 per cent and will now become the main indicator of the bank's monetary policies. Previously the bank had used a range of discount rates, which were not formally linked

with those charged by the commercial banks.

Dr de Kock yesterday justified the stimulatory interest rate reduction. He said the restrictive monetary policies introduced in August 1984 and the fiscal measures introduced in the March 1985 budget had achieved their initial aim of curbing total spending by the private and public sectors.

Money supply growth rates were declining, Dr de Kock added, excess demand had been eliminated from the economy, last year's deficit in the current account of the balance of payments had been converted to an annual rate surplus of R5.4bn (\$2.2bn) in the second quarter of this year, and net foreign liabilities had been cut by about R55m since last year.

Through the rate of inflation had risen steadily from its low point of 10 per cent in February 1984 to 18.4 per cent in June this year, Dr de Kock believed that it should now start to decline.

These positive economic developments, Dr de Kock believed, justified an easing of monetary policy despite "the present abnormal political conditions prevalent in South

Africa." Though Dr de Kock justified the stimulatory measure on economic grounds, observers in Johannesburg say that political considerations were equally or more important.

South Africa's worst recession since the second world war has led to record black unemployment contributing to the unrest in the country's black townships.

Restrictive measures aimed at eliminating record inflation rates lifted domestic interest rates to record levels early this year, and though the subsequent trend has been downwards, there were fears that the flight of capital from South Africa and the withdrawal of foreign banks from the country could reverse the declining interest rate pattern and further deepen the recession. Today's bank rate cut is designed to counteract these external pressures.

Meanwhile, the country's mine-owners and the all-black membership National Union of Mineworkers (NUM), yesterday resumed wage talks with the aim of averting

Continued on Page 14  
Money markets, Page 27

## Australia limits trade but rejects embargo

BY MICHAEL THOMPSON-NOEL IN SYDNEY

**THE AUSTRALIAN Government** yesterday unveiled a series of commercial and trade sanctions against South Africa, but stopped well short of a full trade embargo.

Mr Bill Hayden, the foreign affairs minister, said cabinet ministers had expressed "grave concern and extreme disappointment" that President Botha's statement last week had been "so negative and unhelpful".

But Australia, he said, was conscious of the inadequacy of unilateral sanctions against South Africa.

Australia will close its Trade Commission in South Africa at the end of next month, while its Export Finance Insurance Corporation will cease making loans to Australian companies trading with South Africa.

Banks and financial institutions are being asked to suspend new loans to South African borrowers on a voluntary basis.

Other trade and marketing schemes will be cut back, and Australian government investment in South Africa will be suspended. Direct investment in Australia by the Pretoria Government and its agencies will be prohibited, as will the import of Krugers.

Canberra will also ban exports to South Africa of petroleum products, computer hardware equipment and other products of possible use to South Africa's security forces.

Mr Hayden defended the apparent mildness of the measures, saying: "The important thing is not to use up all your shots in one volley. We have taken a number of mea-

sures, and there are others open to us."

Australia provides less than 1% per cent of South Africa's imports and takes just over 4% a per cent of South Africa's exports.

Australia will continue to press for effective United Nations action against South Africa, and hopes to outline a suggested strategy at the forthcoming Commonwealth heads of government meeting in Nassau.

At home, Mr Bob Hawke's Canberra Government has been accused of some ambivalence in its attitude to South Africa, which it denies. However, it is being obliged to take into account fairly widespread support within Australia for a planned rebel cricket tour of South Africa by an Australian team, led by former test captain Kim Hughes, later this year.

## Six inter-dealer brokers named for new British gilts market

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

**SIX FINANCIAL** groups have been given approval by the Bank of England to operate as inter-dealer brokers, a new form of intermediary, in the restructured market for British government securities.

Announcing the names of the six yesterday in another important step in the remodelling of London's financial markets, the Bank also named nine groups who are to act as London Stock Exchange money brokers.

Inter-dealer brokers will provide dealing facilities between 20 market makers who will operate in the restructured British government securities market. Stock exchange money brokers will be intermediaries for regulated stock borrowing and lending to facilitate liquidity in the gilt-edged market and other securities.

The six inter-dealer brokers named yesterday are: Charles Fulton (IDB); Garban Gilts (part of Mills & Allen International); Mabon, Nugent International (Gilts); Fundamental & Marshall Brokers; part of Mercantile House, the international financial group; Tullett

and Tokyo (Gilts); Williams, Cooke, Lott and Kinsack, part of Exco International. Each of the new companies is expected to be capitalised at between £2m and £3m (\$2.8m-\$4.2m).

Those named by the Bank as stock exchange money brokers are: Casanova Money Brokers; Hoare Govett (Money Brokers); James Capital Money Brokers; King & Shaxson (Securities); Lazard Brothers & Co.; L.M. (Money Brokers); P.B. Securities Money Brokers; Rowe & Pimman Money Brokers; Sheppard Money Brokers.

Those who sought recognition by the Bank of England, Britain's central bank, had to demonstrate that there was a need for their services. Endorsements had to be submitted during the application period by the candidates from potential users.

The Bank of England said yesterday that subject to the effective implementation of the plans outlined by the various groups it is in principle willing to provide them with the technical facilities necessary to enable them to act as stock

exchange money brokers or inter-dealer brokers.

Over the last few weeks a number of prospective inter-dealer brokers have withdrawn before submitting any application. Two Broad-based dealers, M&I Securities and Russell Graham, pulled out while Ginstel, an inter-dealer broker decided against applying as it has been acquired by Mills & Allen. Mills & Allen had established a subsidiary, Garban Gilts, to apply for inter-dealer broker status.

Money broker R. P. Martin, which was intending to apply for inter-dealer broker status, also decided not to apply. Mr Alex Rentoul, head of development and planning at Martin, said yesterday: "It is going to be a crowded market. There will be room for only a few players and we wish them the best of luck. We looked at the situation very carefully but we decided that it was not worth walking the full route."

Other inter-dealer brokers were surprised by the numbers which the Bank of England had approved. *Lex, Page 14*

## French right extends row over sinking

BY DAVID HOUSEGO IN PARIS

**THE FRENCH** right-wing opposition yesterday broke its silence over the sinking of the Greenpeace vessel Rainbow Warrior and accused President Francois Mitterrand's Government of "duplicité" in trying to shift responsibility for the affair to its "underlings."

A statement by M Jean Lecanuet, head of both the centrist UDF group and president of the Senate's foreign affairs and defence commission, said that the boat had been sunk by the French foreign intelligence services but inferred that responsibility was political.

"It was well and truly the secret services which sank the vessel," M Lecanuet declared. "But if they acted thus, they did so on orders... The question now is to know on whose orders. We must be told."

M Charles Pasqua, a senior senator of the neo-Gaullist RPF, called for the resignation of M Laurent Fabius, the Prime Minister, for "incompetence."

The opposition also brushed aside any potential defence by the Government that action against the Rainbow Warrior was justified by the priority of protecting French nuclear testing.

M Lecanuet called the operation, which resulted in the death of a Portuguese photographer, "lamentable and absurd." He said that the

ecologists' protests against French nuclear testing in the Pacific had now been given worldwide publicity and contrasted this with the discretion that had surrounded previous tests.

The attack on the Government from the right-wing parliamentary opposition coincided yesterday with a political offensive from the Communists and demands from minor political groups for the resignation of M Charles Hernu, the Minister of Defence.

President Mitterrand is not expected to act, however, until after M Bernard Tricot, the senior French civil servant commissioned to report on the affair, has submitted his conclusions later this week.

M Roland Leroy, editor of the Communist daily L'Humanité and a member of the party's politburo, said in the paper yesterday that nobody imagined such an important operation as an attack on the Greenpeace vessel could have been undertaken without the support of the Elysee. He argued that this implied that the Government considered "terrorism by the state" as normal practice.

M Mitterrand is in part seen as having attempted to distance himself from the operation. *Continued on Page 14*  
Background, Page 3

## EEC crude steel output rises 1%

BY PAUL CHEESERIGHT IN BRUSSELS

**CRUDE** steel production in the European Community was only 1 per cent higher in the first half of this year than in the same period of 1984, emphasising the fragile nature of the industry's recovery.

Crude steel production in the Community totalled 61.8m tonnes in the first six months of 1985. The plus point for the industry, however, was that over the first four months new orders were 2m tonnes higher, or 6.4 per cent more, than last deliveries.

The market in general has responded to the upturn in economic activity, while production over a whole range of products has been kept in check by the output quotas set quarterly by the European Commission. Minimum prices have also been holding in Germany and Switzerland. They are a framework for more specific project agreements.

The agreements provide for regular talks on priorities.

further 24.5m tonnes of hot-rolled capacity needs to be shed by 1990, to bring about a real balance. Capacity cuts since 1980 total 30m tonnes.

In June, EEC crude steel production was 10.8m tonnes, but shaded to 9.8m tonnes in July.

Breakdown of the figures shows that in the UK, crude steel production has been running at a perceptibly higher level than last year. In the first six months output was 8.2m tonnes, an average of 1.37m tonnes a month, while in 1984 monthly average production was 1.27m tonnes.

The European Commission has completed negotiations of new scientific and technical co-operation agreements with Sweden and Switzerland. They are a framework for more specific project agreements.

The agreements provide for regular talks on priorities.

## Warsaw's boardgame capitalists play by own rules

By Leslie Collitt in Warsaw

**POLISH-MADE** games called "Super Monopoly," "Bankrupt," "Eurobusiness" and "Stock Market Broker" are the rage among Poles whose trading instincts remain strong despite 40 years of socialism. The enthusiasm shown for these decidedly capitalist games parallels real life fortunes being made by a small but growing number of private businessmen in Poland.

In "Bankrupt" players can buy half a district in Lodz, taxis, railway terminals, power stations and streets in Lodz or Warsaw. As in Monopoly houses and hotels are rented and sold. A picture of a man sporting a bowler, smoking a fat cigar but wearing patched trousers is on the cover of the box. The game is displayed in many kiosks including one near the enormous Palace of Culture, a post-war gift of the Soviet Union. Inside the building another kiosk sells privately made key chain medallions embossed with the portrait of the Pope.

Although "Bankrupt" is selling briskly its private producer has already moved on to making other items which turn a quicker profit.

Mr Ryszard Ellert, an ambitious young Warsaw job printer, recently began turning out business games as a sideline. Now he can barely keep up with orders. He says he uses western cities instead of Polish ones in his super Monopoly game to make it more appealing to Poles.

Mr Ellert's "Stock Market Broker" game is undoubtedly the most unusual one for a Communist country. But he notes that many Poles know what the stock market is and thus interest runs high.

As with a good number of western games, the box cover of the Polish game is more enticing than the contents. Smiling men in business suits, one resting his hand on a globe, are shown telephoning orders. In the background, production curves soar against the outlines of great factories. The game revolves around buying and selling different grades of commodities to make the largest possible profit.

In reality, a variation on the same game is constantly played by East European governments when they buy and sell gold and silver in the West and speculate astutely in currencies.

Mr Ellert and his father belong to the Otocow Co-operative in Warsaw which they feel is more advantageous than being wholly private. They pay 2 per cent of turnover to

Continued on Page 14

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OVERSEAS NEWS

Sri Lanka peace talks halted as death toll rises

BY K. K. SHARMA IN NEW DELHI AND OUR FOREIGN STAFF

TALKS between Tamil militants and Sri Lanka government representatives have "temporarily recessed" after a week of meetings at Thimpu, capital of the Himalayan kingdom of Bhutan, a spokesman of the Indian Government said yesterday.

Some of the Tamil delegates have flown to Madras for consultations with their leaders, and despite the violence in Sri Lanka over the weekend, "all sides are making efforts to ensure observance of the ceasefire," he said.

In Colombo, however, the Sri Lankan Government announced that 21 more people had been killed in a series of attacks in the north and east of the island, bringing the official death toll to 92 in the past few days. Tamil estimates put the dead at several hundred.

Troops were placed on alert on the island yesterday following the recession in the talks and the reimposition of a state of emergency by President Junius Jayawardene on Sunday.

Budgets to be unveiled in Canberra, Wellington

By Michael Thompson-Noel in Canberra and Sandy Southon-Perry in Wellington

TODAY'S BUDGETS in Australia and New Zealand may not have much in common, but they will provide important political clues to the chances of survival of the right-wing socialist governments of Mr Bob Hawke and Mr David Lange respectively. Each has suffered lost popularity of late.

In Canberra, Mr Hawke's Australian Labor Party Government unfurls its third annual budget against a background of rising fears about inflation, and worries over Australia's lacklustre trade performance of late.

The Treasurer, Mr Paul Keating, has already promised a tight rein on expenditure, and is expected to announce a federal budget deficit for 1985-1986 of around A\$5.5bn (£2,750m), against one of A\$6.75bn for the 12 months ended June 1985.

At the weekend, in a bid to regain the political initiative and stem criticism of his "weak" leadership, Mr Hawke announced a major wage employment scheme, details of which will be provided today.

In his budget speech, Mr Keating is expected to stress the Government's economic successes to date, including employment growth of 383,600 jobs since April 1983, a big reduction in the public sector, and a recovery in profits.

However, there is mounting concern over the rate of inflation, which for the year to June was 6.7 per cent. With the underlying inflation rate exacerbated by higher import costs caused by this year's devaluation of the Australian dollar, some forecasters expect an inflation rate of 10 per cent by the end of the year.

The crunch is likely to come at next month's national wage hearing, when the Australian Council of Trade Unions argues for full indexation of the latest consumer price rises, which totalled 3.8 per cent for the six months ended June.

In Wellington, Mr Roger Douglas, the Finance Minister, is to introduce a budget which he says will dramatically reverse the "rising tide" of personal income tax that New Zealanders have been subject to in recent years.

Mr Douglas is expected to announce the introduction of value added goods and services tax (Gst) from October 1986. The level at which this is pitched has been forecast variously at 10 per cent, 12.5 per cent and even 15 per cent, with analysts trying to settle for the lowest figure.

Mr Douglas is also expected to cut indirect taxes by 20 per cent which would give average earners on NZ\$15,000 (£5,750) a year an extra \$20 a week to spend. Top rates for personal income tax are likely to be reduced to 48 cents in the dollar for those earning NZ\$30,000 and above, well below the present 66 cents in the dollar at earnings of NZ\$38,000.

Businesses may have to pay 10 per cent more tax at a predicted 50 cents in the dollar from the current rate of 45 cents in the dollar. The share market index fell 30 points yesterday as budget jitters set in.

The New Zealand dollar was pushed down yesterday by concern that the budget might lead to a decline in the country's high interest rates, Reuters reports.

Car bombs kill 28 in Moslem part of Beirut

BY NORA BOUSTANY IN BEIRUT

SHORTLY after midday yesterday, separate car bombs rocked two crowded Moslem neighbourhoods at half-hour intervals, leaving 28 dead and 70 wounded, flaming cars and debris.

One occurred close to a modest local restaurant and the other just yards from a mosque, where people were heading for their afternoon prayers. The car bombs, the latest episode in a wave of roving terror that has gripped Beirut, were in apparent retaliation for two similar bombings in Christian areas which killed 68 people and wounded 250 others last week.

Mr Nabih Berri, leader of the Shiite Amal movement and Lebanon's Justice Minister, signalled that more violence was inevitable. Attacks against Moslem areas will lead to a "military showdown," he commented after the first reports on the two car bombs yesterday.

The first blast devastated two floors of a building on a crowded, narrow street and sent glass and bricks flying over a hundred yards. Two dozen cars were set ablaze and storefronts burst into shards of window panes and stripped metal.

Irreparable damage was done to the air to disperse civilians and make way for rescue teams. A woman in a headscarf struggled with militiamen to search for her family, then fainted and collapsed on the street.

Two West Beirut hospitals receiving casualties issued radio appeals for blood donations.

The bombs, outside a restaurant in the Karakol Druze controlled quarter and at the mosque in Ghabreah, a Shiite area, had been expected, after the Christian militias, the Lebanese Forces, vowed they would retaliate in kind, for the

two bombs last week in the Christian area of East Beirut. Former Lebanese President, Mr Camille Chamoun, yesterday used stronger language than is normal for him condemning the bombing attack in East Beirut which demolished a two-storey supermarket on Saturday.

"Condemnation alone will not suffice... those behind this attack should know that they will get two blows for each one delivered," he warned.

The fact that Moslem leaders expressed indignation at the car bombs targeting Christian areas last week did not temper the rage of Christian leaders

An anonymous caller claiming to represent the hitherto unheard of "Black Brigades Organisation," told a Beirut-based foreign news agency shortly after the blasts yesterday: "We shall confront the war of annihilation against the Christian people with a counter-war of annihilation and declare the death, slaughter and displacement of all Christians."

Though the authenticity of such groups is questionable, the mood of waning tolerance among Moslems and Christians is unmistakable.

UN troops fear escalation of violence in S. Lebanon

BY WALTER ELLIS IN SOUTHERN LEBANON

Israeli patrols still in Lebanon. Left-wing and other Shiite forces are also involved, and the increasing ferocity of the engagements has forced the UN Truce Supervision Organisation (UNTSO) to step up its own activities in the area.

Amal is in control of the port city of Tyre, which remains battered but generally quiet. SLA forces fired five 120 mm artillery rounds at the city last Thursday, one of which hit a house.

Amal is still keeping a careful watch on the 50,000 Palestinians in three camps around Tyre, where leaders still want the Palestine Liberation Organisation (PLO) to be an element in the Lebanese equation. The Amal group is opposed

to the continued use of car bombs by Hizbollah — recently they employed a rider astride a donkey — on the grounds that it is mostly civilians, not SLA fighters or Israelis who get hurt. But it is having to step up its own attacks generally in order to ensure the continued loyalty of a population determined to rid itself of Israeli influences.

At night, the skies around the various UN positions are often lit up with rockets, mortar, tank and machine-gun fire as everyone, it seems, attacks everyone else. Travel to Tyre from the Israeli border, even in the company of UN personnel, was impossible yesterday. Too many checkpoints had been thrown up along the

road, the UN said, and many of the gunmen were trigger-happy.

Israel is understood to have fewer than 700 troops in the whole South Lebanon area at present, but the SLA, still numbering around 1,000, including Christian village militias, remains as its eyes and ears and frequently acts on its own behalf.

Amal is determined that the Israeli buffer zone, now watched over by the UN's UN Truce Supervision Organisation (UNTSO) forces, should not become a launching pad for attacks on Israel. It is anxious that Israel should not be given an excuse to re-enter Lebanon in force. Internal feuding, however, involving much damage and loss of life, is still considered fair game.

Body of Bhutto's son sent to Pakistan for burial

THE BODY of the son of the late Pakistani President Zulfikar Ali Bhutto was sent to Pakistan yesterday on a route from Karachi and buried next to the remains of his father, AP reports from Cannes.

The body of 27-year-old Shah Nawaz Bhutto will be accompanied today from Zurich to Karachi by his two sisters, Miss Benazir Bhutto, 32, head of the banned opposition Pakistan People's Party (PPP), and Mrs Sanam Bhutto Hussain.

Miss Bhutto was imprisoned by Pakistani military authorities for 34 months before being freed last year.

Pakistani authorities have granted permission for members of the Bhutto family and some of their advisors to return to Pakistan with the body.

Miss Bhutto is seen as a popular symbol of opposition to Pakistan's military rulers, who reportedly fear that her return for the burial could draw large crowds of supporters.

President Bhutto was overthrown in July 1977 in a military coup led by Gen Mohammad Zia ul-Haq, the country's current leader. Mr Bhutto, who



Benazir Bhutto

had been elected president in March 1977, was hanged in 1979 following a controversial conviction on charges of conspiring to murder a political opponent.

Reuter adds: Sind Province Chief Minister Ghous Ali Shah said in an interview published yesterday the authorities would give all facilities to the Bhutto family for Shah Nawaz's funeral but would not allow it to be turned into a political affair.

JAL crash Jumbo lost entire hydraulic system

BY CARLA RAPAPORT IN TOKYO

THE ENTIRE hydraulic system of the ill-fated JAL Boeing 747 was lost within a few minutes of take-off, according to the latest reports on the investigation of last Monday's crash, which killed 520 people in the mountains north-west of Tokyo.

Although the Ministry of Transport has yet to release officially the contents of the voice and flight recorder, it is understood that the hydraulic system's failure in turn prevented the pilot from controlling the aircraft's altitude. It is not understood, however, if the force which destroyed the hydraulic system also damaged the aircraft's vertical stabiliser and rudder.

A JAL engineer yesterday refuted theories that the cracks and subsequent break in the pressure bulkhead at the rear of the aircraft could have been strong enough to cause the vertical stabiliser to crack and break off.

He told reporters that some external pressure may have been the cause, such as an incredibly strong wind or "clear air" turbulence.

Michael Donne, Aerospace Correspondent, writes: Rescue workers at the site of the JAL crash have now recovered the remains of 494 bodies from the 520 who died. Of those, so far only 359 have been identified. Recovery operations are now

being concentrated as much upon pieces of wreckage, as on retrieving human remains, in order to give the accident investigators as much material as possible on which to work.

It is clear that, over a week after the accident, the primary cause is still as much a mystery as ever.

Boeing engineers at the scene of the accident have confirmed that failure of the rear pressure bulkhead was not the cause. Examination of the pieces of the bulkhead so far recovered show no signs of cracks, corrosion or metal fatigue, it is claimed.

The information from the recovered cockpit voice recorder, indicating that the aircraft lost all hydraulic power before the crash, has introduced a new dimension into the investigation.

In the meantime, elsewhere in the world, the Boeing 747 fleet, nearly 600 strong, continues to fly normally. Apart from Japan itself, only the UK and South-East Asian Nations, is undertaking specific additional precautionary checks on 747s, at the request of the Civil Aviation Authority.

The information from other countries are making checks on their own volition.

So far, British Airways, with 28 Jumbo jets, has checked six and found no fault. Similarly, British Caledonian, with two 747s, has found nothing.

Mahathir sacks Chinese minister over party row

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, has intervened to break the impasse in the 18-month-long power struggle within the country's biggest Chinese party by sacking the most senior Chinese member of his Cabinet.

At a meeting of the ruling National Front coalition over the weekend, Dr Mahathir also gave the Malaysian Chinese Association three months to resolve its leadership dispute or face expulsion from the Government altogether.

By sacking Dr Neo Yee Pan, acting president of the MCA, as Minister of Housing and Local Government, but retaining three other MCA leaders in his cabinet, Dr Mahathir has signalled to MCA members that Dr Neo no longer enjoys his confidence.

The MCA has pledged to hold

elections within the three months expiration deadline, but whether this will come about is by no means clear since under the party's constitution, Dr Neo, 47, has virtual dictatorial powers, and it was his persistent refusal to hold elections or to step down that had prolonged the crisis.

Observers say the sacking of Dr Neo favours his main rival, Mr Tan Koon Swan, a prominent businessman, who heads the giant Multi-Purpose Holdings, as well as companies within Grand United Holdings and Supreme Corporation.

The MCA power struggle last week developed into a tragedy, when a third faction, which broke away from Dr Neo, emerged to claim the mandate to represent the MCA and the Chinese in the Government.

Ex-Asean chief faces subversion charge

By Kieren Cooke in Jakarta

MR H. R. DHARSONO, former commander of one of Indonesia's key military divisions and the first Secretary General of the Association of South-East Asian Nations, has appeared in court, accused of subversion.

He was charged with instigating a bombing campaign in Jakarta late last year, and with encouraging young Moslems to attack the Government. The trial was adjourned.

Mr Dharsono told reporters he was not involved in the plot to topple the Government, but had tried to find the truth behind riots in a poor section of Jakarta in September.

Zimbabwe orders increases in banks' reserve ratios

BY TONY HAWKINS IN HARARE

THE Zimbabwe Government has moved to tighten credit by raising the reserve ratios of commercial and merchant banks from 8 to 10 per cent of their deposits. The banks have until October 21 to comply with this regulation.

The Zimbabwe central bank also announced its intention of increasing its issue of non-transferable and non-redemptible Reserve Bank bills which will be taken up by the banks as a means of mopping up excess liquidity.

In its monetary policy statement the Reserve Bank promised further measures to tighten hire-purchase regulations in respect of purchases of consumer goods adding that cheaper and easier credit would

Zimbabwean police are holding four Bulawayo city councillors as part of the continuing government offensive against Mr Joshua Nkomo's opposition Zapu party. Announcing this yesterday the mayor of Bulawayo, Mr Enos Midlowwa, said that he and the town clerk had been among 11 councillors detained early on Friday morning.

Seven were released later the same day, but four are still being held as part of the

month-long offensive against Zapu, in which upwards of 450 prominent members of the party have been detained.

The ruling Zanu-PF Party launched the campaign against Zapu shortly after last month's general elections in which, to Prime Minister Robert Mugabe's displeasure, the voters of Matabeleland returned 15 Zapu members of parliament and none from the ruling party.

have to provide a high proportion of the Z\$550m needed to finance the Government's budget deficit. The central bank said that if action were not taken to curb excessive money supply growth, this would reach 40 per cent while inflation might be expected to double from its current level of around 10 per cent.

The monetary measures announced will lead to a tightening of credit markets and a "significant firming" of deposit rates. But bank lending rates will remain unchanged thereby narrowing their profit margins. The net effect would be that there will be less credit available for non-essential activities while credit availability for productive activity should continue at existing lending rates to

maintain the economic recovery, the Reserve Bank said.

It seems clear that the credit squeeze will be further tightened if money supply growth is felt to be excessive and the Reserve Bank warned that changes in bank liquidity ratios would be imposed "when appropriate."

Zimbabwe's inflation rate which dipped below 10 per cent in June this year, is forecast to reach 15 per cent by early 1986, but the latest measures should help to restrain the rate of price increases next year.

The measures come less than a month after the modestly expansionist 1985 budget which means that Zimbabwe has an expansionary fiscal policy accompanied by a restrictive monetary stance.

Richard Evans, recently in Baghdad, reports on some effects of the war with Iran

Gulf bloodshed rallies Iraqis behind Hussein

THE LIKENESS of President Saddam Hussein is everywhere in Iraq. He smiles down from posters in shop windows, dominates daily newspaper and television coverage, and coloured cutouts of the bearded soldier-president decorate new highways and key crossings.

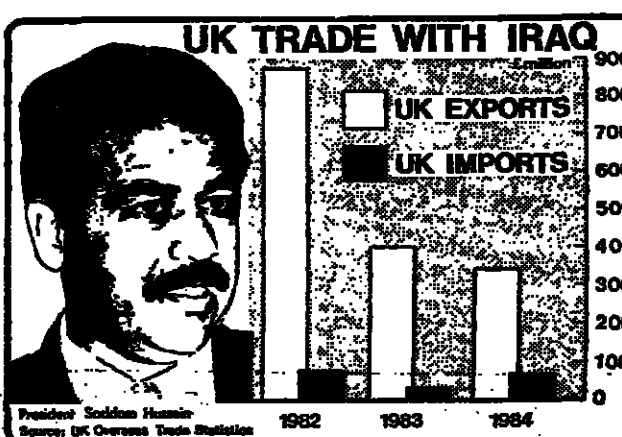
Nearly five years of bloody conflict with Iran appear to have united Iraqis behind the President far more effectively than the ruling Baath Party managed to do before.

Suggestions that President Hussein might be toppled from within following his disastrous initial failure to defeat the Iranians faded as Iraqis, particularly military leaders, rallied behind the national cause in response to the direct threat to territorial integrity.

He has since emerged from a number of economic and military crises probably stronger than at any time since the war began. He has managed to retain the loyalty of the majority Shiite Moslem population always the most dangerous potential threat — and rallied his people against the forces of religious fundamentalism.

In essence, the war has allowed him to suppress the opposition and to treat his enemies as traitors to Iraq.

But the strain, both social and economic, of maintaining up to 100,000 men under arms has been considerable. The Iraqi economy expanded rapidly during the 1970s, particularly from 1974 to 1980 when gross domestic product grew by an average of 12 per cent a year. Oil exports were running at 33m barrels a day, which allowed Iraq to build up more than \$55bn in foreign reserves. The Government, encouraged by



firm oil prices, embarked on an ambitious development plan aimed at improving the infrastructure and developing the industrial and agricultural base. Then came the war. Oil sales were reduced by two-thirds, foreign reserves were virtually eliminated and the development programme was cut back severely to concentrate on the war effort. Real GDP is thought to have fallen by more than 20 per cent in 1981, by a further 5 per cent in 1982 and 1983 and by 3 per cent in 1984.

Total Iraqi indebtedness to foreign creditors is about \$40bn but at least two-thirds results from cash subventions an \$11.5bn on Iraq's behalf by Saudi Arabia, Kuwait and other Gulf states determined to prevent a victory by Iran's Ayatollah Khomeini that would destabilise the whole region.

The country's commercial debt is estimated to be about \$10bn. Last year Iraq's debt to foreign banks rose from \$1.3bn to \$2.8bn, according to the Bank for International Settlements.

Those foreign companies still operating in Iraq are relieved that the Government has largely come to terms with changed economic circumstances. Most have completed negotiations for deferred payment schemes and the central bank is so far adhering to the schedules.

Total exposure of UK companies in Iraq is relatively small, compared with their European and Japanese competitors, but Britain is actively pursuing new business. The last tranche of a Government-backed \$275m line of credit made available in 1984 is about to be utilised. The Midland Bank has been mandated to arrange a further \$300m this year.

The visitor to Basra and areas near the border with Iran is overwhelmed by signs of a country at war: a heavy military presence, sandbagged buildings and frequent road blocks. In Baghdad, however, there are few overt signs of war.

A U.S. Navy bomb disposal team flew to a war-damaged tanker off the Gulf state of Qatar yesterday to deal with an unexploded missile on board, shipping sources said. Reuter reports from Bahrain. Iranian jets had fired two missiles into the 26,124-ton Belgian-registered Neos Leopard 25 afloat in the east of Qatar on Sunday in what is seen as retaliation for Thursday's Iraqi air attack on Iran's Kharg Island oil terminal. Only one missile exploded.

outlets will make it easier to repay debts.

Any increase would also help to rebut Iranian attempts to wage a war of economic attrition in the hope of toppling President Hussein.

A new pipeline across Saudi Arabia to the Red Sea port of Yanbu, with a design capacity of 500,000 b/d is due to begin operation next month and to become fully operational by the end of the year.

Tenders have also gone out for a second pipeline across Turkey to become operational in about 18 months. This would also increase Iraq's exports by about 500,000 b/d.

Completion of both pipelines would release a great deal of the strain on the Iraqi economy, but a near doubling of exports would inevitably lead to problems with Iraq's partners in the Organisation of Petroleum Exporting Countries (Opec). Given the weak state of oil prices, other Opec countries would be unwilling to see Iraq take such a large slice of the cake.

Shops and souks are generally well stocked and supplies of basic foodstuffs have improved considerably. In both industry and agriculture there has been a softening of the socialisation policy to allow more scope for the private sector. The main shortages are in supplies of consumer durables because of the lack of foreign exchange.

Top priority continues to be given to war-related construction and development projects. The import programme concentrates on essential foods, medicines and raw materials for industry and agriculture.

Much of Baghdad's optimism about the country's economic prospects is based on the premise that oil output will increase shortly from the present level of 1.3m barrels a day, of which only 300,000 b/d is consumed domestically.

Anticipated increases in revenue both from Iraq's existing pipeline through Turkey and from other planned export

The present military stalemate, with occasional bursts of activity on various sectors of the front which do nothing to resolve the conflict, means that the Iraqi authorities must plan ahead on the assumption of an indefinite war.

The unpleasant truth is that an inconclusive war suits almost everyone, including the U.S. and Soviet Union, and Iraq and Iran's nervous neighbours who do not wish outright victory to go to either side.

It is also probably true that both belligerent Governments can be more confident of staying in power while the war lasts than after it ends.

Ugandan leader visits Kenya

UGANDA'S new military leader, Lt-Gen Tito Okello, went to Nairobi yesterday to meet Kenyan President Daniel Arap Moi. What Okello said could be a prelude to peace talks with Ugandan guerrillas, Reuters reports from Nairobi.

No details were immediately available. Lt-Gen Okello last week flew to Tanzania to meet President Julius Nyerere and Ugandan guerrilla leader Mr Yoweri Museveni, but Mr Museveni failed to turn up. Guerrilla support for the new government is considered crucial to Uganda's future stability.

The Ugandan newspaper Munno said yesterday it had discovered the skeletons of more than 2,000 people believed to have been killed by the army.

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## EUROPEAN NEWS

## EEC steel output rises only 1% in first half of year

BY PAUL CHEESEBRIGHT IN BRUSSELS

CRUDE STEEL production in the European Community rose by a tiny 1 per cent in the first half of this year compared with 1984, emphasising the fragile nature of the industry's recovery.

In the first six months of this year total crude steel production in the EEC was 61.5m tonnes, according to the statisticians. But the plus point for the industry was that over the first four months of the year new orders were 2m tonnes higher, or 8.4 per cent more, than total deliveries.

Generally the market has responded to the upturn in economic activity, while production over a whole range of products has been kept in check by the output set quarterly by the European Commission. Generally, too, minimum prices have been holding.

But the apparent rough balance between supply and demand hides considerable excess capacity. The Commission has calculated that a further 24.5m tonnes of hot-rolled capacity needs to be shed by 1990, to bring about a real balance. Capacity cuts since 1980 total 30m tonnes.

In June, EEC crude steel production was 10.6m tonnes, but declined to 9.8m tonnes in July.

Breakdown of the figures shows that crude steel production in the UK has been running at a perceptibly higher level than last year. In the first six months, output was 8.5m tonnes, an average of 1.37m tonnes a month, while in 1984 monthly average production was 1.27m tonnes.

British imports of steel from other EEC countries averaged nearly 182,000 tonnes a month in the period to May against an average of 194,600 tonnes a month in 1984 when the coal miners strike was in full swing.

The Commission has completed negotiations of new scientific and technical co-operation agreements with Sweden and Switzerland. They are a framework for more specific project agreements.

They provide for regular talks on priorities, the exchange of information, the co-ordination of projects and participation in each other's programmes, the Commission said yesterday.

## Danish MP investigated over fish fraud claim

By Hilary Barnes in Copenhagen

A DANISH MP is under investigation by fraud police in connection with an alleged swindle involving EEC fisheries policy funds.

Mr Laurits Tormaes, a member of the Liberal Party which is in the government coalition, is not alleged to have made a personal gain. He has been investigated in his capacity as chairman in 1983-84 of the Danish Fish Producers Association. This administrators the fisheries policy funds, which are used to provide fishermen with a minimum price.

Police allege that during this period fisherman on the Baltic island of Bornholm obtained funds by providing misleading information on fish prices. The sum involved is said to be about DKK11m (£785,000).

The MP said yesterday that the issue is basically one of principle and has arisen because there is no public auction of fish on Bornholm as there is in most other parts. An auction establishes a transparent price structure and enables the producers' association to pay EEC subsidies without being in doubt about the true price of the fish.

Without an auction, the decision is more complicated, but Mr Tormaes pointed out that the system operated on Bornholm was sent up in co-operation with the Danish Fisheries Ministry.

He denied the producers' association has knowingly helped the alleged swindle, but he said that, as chairman of the producers' association, he would accept responsibility for any irregularities it committed. It was Mr Tormaes himself who called in the police when he suspected that there may have been irregularities.

## GREENPEACE AFFAIR TRIGGERS UNWELCOME MEMORIES FOR FRENCH GOVERNMENT Socialists suffer for secret service purge

BY DAVID HOUSEGO IN PARIS

THE GROWING political controversy in France over the sinking of the Greenpeace ship, Rainbow Warrior, has brought back into the limelight the clumsy mismanagement of France's intelligence service by the Mitterrand administration during the Socialist's first years in office.

Over the past week evidence has been growing that the Direction Generale de Securite Extérieure (DGSE) for blowing up the Greenpeace vessel, which caused the death of a crew member, a Portuguese photographer.

Traditionally suspicious of the independence of the French secret services, the Socialists purged and overhauled the organisation heavily soon after they came to power. DGSE supporters are now implying through Press leaks that the

bungling of the Greenpeace operation stems from the damage done to the DGSE in 1981-82.

The purge was carried out by M Pierre Marion, a nominee of M Charles Hernu, the Defence Minister. He was replaced after 18 months when it became clear that the organisation had been seriously weakened and demoralised. It is now being recalled to M Hernu's discredit that he insisted on M Marion's appointment in spite of warnings that he had little intelligence experience and had a nervous, excitable character.

M Marion, who has spent most of his career in the aircraft industry, has since been made head of the Paris airport. Socialist distrust of the foreign intelligence service date back at least to 1985 when the SDECE, as it was then

called, was alleged to have been involved in the kidnapping from Paris of Mehdi ben Barka, the Moroccan opposition leader. However, from 1970 until 1981, it was taken in hand and strengthened by Comte Alexandre de Marenches, a talented, colourful individual who won both independent and an international reputation.

Distrust of the organisation by the Socialists was reflected in their setting up, while in opposition in the 1970s, a committee aimed at checking its power and giving it a greater role in economic and industrial intelligence gathering.

M Marion swept aside Comte de Marenches' senior officers when he took over in June 1981, before carrying out a radical reorganisation. This was intended to curtail the dependence of the different

divisions in favour of a centralised reporting system. In the process he appears to have alienated a large number of both the Paris staff and of agents abroad with the result that a good many of them resigned. He also closed the organisation's South African section which in retrospect was short-sighted.

The magazine L'Express, giving a detailed history of the changes in the service, recalls that he also made himself unpopular through misplaced suspicions that intelligence officials had leaked information about a briefing for the personal staff of Communist ministers.

In April 1982 the service was given a new charter and had its name changed to the DGSE. More emphasis was put on in-

filtrating the Soviet bloc and on economic intelligence gathering. At the same time it was deprived of any responsibility for counter-intelligence work on French soil.

M Marion was replaced in November of that year by Admiral Pierre Lacoste, apparently after the then chief of the armed forces had complained of the diminished effectiveness of France's foreign intelligence service.

The DGSE still has responsibility for France's intelligence effort in Africa and elsewhere in the Third World as well as for James Bond-style operations abroad. It is believed to have been responsible for the killing of the Syrian cultural attaché in Spain in 1982 shortly after Syrian agents organised a large bomb explosion in Paris.

## Danish police caution MP

BY HILARY BARNES IN COPENHAGEN

MR LAURITS Tormaes, a member of the Folketing (parliament) for the coalition Liberal Party, has been issued with a preliminary charge by fraud police in connection with an alleged swindle involving EEC fisheries policy funds.

Mr Tormaes is not alleged to have made a personal gain. Police allege that while he was chairman of the Danish Fish Producers Association from 1983-84 fishermen on the Baltic island of Bornholm obtained funds by providing misleading information on fish prices. The sum involved is said to be about DKK11m (£10.9m).

The association administers the fisheries policy funds which are used to provide fishermen with a minimum price.

A preliminary charge is roughly equivalent to a caution under En-

glish law. If the case is ever brought to court, a formal indictment will have to be made later.

Mr Tormaes said yesterday that the issue is basically one of principle and has arisen because on Bornholm there is no public auction of fish, as in most other parts.

An auction establishes a transparent price structure and enables the association to pay EEC subsidies without being in doubt about the true price of the fish.

Without an auction, the decision is more complicated, but Mr Tormaes pointed out that the system operated on Bornholm was set up in full co-operation with the Danish Fisheries Ministry.

He denied that the producers' association has knowingly facilitated the alleged swindle or participated in it in any way, but he said that as

chairman of the association he was prepared to accept responsibility for any irregularities committed by the association. It was Mr Tormaes himself who called on the police to look into the subsidies paid to the Bornholm fishermen.

Denmark's biggest pension fund, the FKA, with assets of about DKK 20bn appears to be breaking up. The fund is a system of joint administration for 14 public sector trade union pension funds. Four of the unions announced at the weekend that they were withdrawing from the FKA.

The four are all members of the Federation of Local Government Employees, whose chairman, Mr Poul Winckler, said yesterday that the main reason for the break was differences over investment strategy.

## Industrial chaos looms in Gibraltar dispute

BY JOSEPH GARCIA IN GIBRALTAR

GIBRALTAR appears to be on the verge of prolonged industrial chaos following the worsening of a dispute between the Government and the local branch of the Transport and General Workers Union.

After two weeks of dialogue to try to find a way out, the Government broke off the talks on Friday and went ahead yesterday with its threat to send workers home without pay unless selective industrial action ceased.

The three areas directly affected are the highly sensitive power station, the airport and an asphalt plant. The disputes, involving work practices, allowances and productivity schemes, go back between three and 18 months.

The Government started getting tough by sending home four work-

ers at the asphalt plant. Such action is rare in Gibraltar.

The union has reacted by saying that it is now in a state of dispute with the Government as a whole and has warned of far-reaching implications including the prospect of an indefinite general strike.

The TGWU is by far the largest union in Gibraltar.

A government statement said that Gibraltar could be thrown into turmoil and damage might be done to the tourist industry. "It was pointless to continue the talks with the union," said Sir Joshua Hassan, Chief Minister.

The Government said it had exercised great patience over many months to avoid a confrontation but the time had come for action.

## Gibraltar strike threat

BY JOSEPH GARCIA IN GIBRALTAR

MR ALEX KITSOS, deputy secretary of Britain's Transport and General Workers Union (TGWU), will visit Gibraltar on Thursday to try to resolve a worsening dispute between the local branch of the union and the Rock's Government.

The dispute, which has come to a head in recent weeks, involves TGWU claims about irregularities in work practices

and Government moves to send workers home without pay unless selective industrial action is stopped.

The move has prompted a claim by the union that it is now in dispute with the Government as a whole. The TGWU has also warned of far-reaching implications, including the prospect of an indefinite general strike.

Government moves to send workers home without pay unless selective industrial action is stopped.

The move has prompted a claim by the union that it is now in dispute with the Government as a whole. The TGWU has also warned of far-reaching implications, including the prospect of an indefinite general strike.

## Canaries separatist ends exile

BY OUR MADRID CORRESPONDENT

SR ANTONIO CUBILLO, leader of a Canary Islands separatist movement, appeared in a Madrid court yesterday after being detained by police in his arrival in the islands from a 23-year exile. He was released on bail of Pta 300,000 (£1,525).

The trial on criminal damage charges dating back to 1975 threatens to provide a focus for anti-Madrid sentiment in the islands, where the terms of Spanish entry to the European Community have caused widespread discontent. Sr Cubillo was covered by an amnesty in 1977, but faces charges for allegedly investigating a series of explosions in the islands the following year.

He was met by plainclothes

police at Gando airport on Gran Canaria on Sunday and put on a flight to Madrid. He had flown to the islands from Algiers on a roundabout route via Paris and Lisbon. There were clashes at the airport between police and supporters.

Sr Cubillo, who announced two years ago he was ready to return to take part in island politics, plans to stand as a candidate in next year's general election.

At the time of the bombings he is accused of instigating, Sr Cubillo says he was in hospital in Algiers recovering from an attempt on his life which left him crippled. Arrested in 1962 in connection with labour strikes, Sr Cubillo escaped abroad

while on bail, and later set up the Movement for Self-determination and Independence of the Canary Archipelago (MIFAAC) in Algiers and for several years ran a "Free Canaries" radio station. However, in recent years the Algerian authorities have ceased to give him and his movement public support.

Sr Cubillo maintains that the Canaries belong to Africa, and opposes their becoming part of the EEC. Under Spain's EEC treaty, the islands will be incorporated into the Community but stay outside the customs union and common agricultural policy. Canary products, including fruit and vegetables, will be subject to quotas on the EEC market.

## Den Uyl to lead Labour in general election

BY LAURA RAUN IN AMSTERDAM

MR JOOP DEN UYL, the veteran Labour party politician, will lead the opposition Socialists in the May 1986 Dutch general elections, thus boosting Labour's chances of participating in the next government and his chances of becoming Prime Minister.

Mr den Uyl, 66, a former Prime Minister and cabinet minister announced that he was willing to head the Labour ticket, thereby averting a vicious disruptive battle over his successor.

Anonymous jostling already began last year when Mr den Uyl indicated that he might not lead his party again in the 1986 elections, having headed the candidates slate six times before. A party official for 18 years, Mr den Uyl will be confirmed at the Labour congress next February.

The Socialists, who have been riding high in the public opinion polls for a year, also announced the principal outlines of their campaign platform. The plank that diverges

most from the policies of the governing Christian Democrat-Liberal coalition is Labour's categorical opposition to the deployment of Nato nuclear missiles on Dutch soil.

A compromise over the controversial missile question probably would be the biggest stumbling block in the forging of a coalition between the Labourites and Christian Democrats, with the latter virtually having resigned themselves to the acceptance of the cruise and Pershing-2 missiles. The Socialists have promised to continue to do battle over the missiles even if the parliament votes on November 1 to approve deployment, as is expected. In economic and social policy, the Labour Party platform is somewhat closer to the current centre-right government, holding out more promise of compromise. The Socialists urge continuation of economic austerity measures but at a more modest pace; acceleration of the battle against unemployment through work-time shortening and the maintenance of purchasing power.

## Soviet grain harvest 'on target'

By Our Moscow Correspondent

THE SOVIET UNION appears to have a grain harvest of 190m tonnes well within its sights - a figure which will reduce import requirements but still represents yet another harvest below target.

Commenting on the harvest so far, Western agricultural specialists said that work was lagging in some regions but that overall farmers had struck lucky with warm, dry weather this month and used it to step up grain collection.

The specialists believe Soviet agricultural workers must sustain this more lively pace and aim to finish cutting on all but a small proportion of the sown area by early September, otherwise bad weather could make harvesting difficult.

The U.S. Department of Agriculture (USDA) currently estimates the Soviet harvest will reach 190m tonnes, 20m tonnes up on last year but below the 230m set as the annual average target figure for the 1981-85 five-year plan.

Early this summer the USDA cut its estimate from 195m tonnes to account for drought in some regions. Moscow's last successful crop was 255m tonnes in 1978.

Moscow is likely to meet the USDA estimate and could even, according to the specialists, exceed it by a small margin. They attribute this to the good weather, which has not only given farmers longer in the fields but also produced high-quality grain and fewer losses through damp.

A crop of 190m tonnes would cut the amount of grain the Soviet Union needs to import to about 40m tonnes from the record 55m tonnes required in the last harvest year.

## Cyprus woos Arabs after resort clashes

BY ANDREAS HADJIPAPAS IN NICOSIA

THE CYPRUS Government was yesterday taking urgent steps to avert a possible Arab backlash against Cypriot interests, following an attack by young Greek Cypriots against Lebanese and other Arabs in the southern tourist resort of Limassol at the weekend, in which 11 people were hurt.

Mr Savvas Antoniou, the police chief, strongly condemned the incidents while government ministers were reassuring Arab diplomats that the authorities were taking every measure to ensure the safety of Arabs living or holidaying on the island, and to prevent similar incidents.

Officials were expressing concern about possible Arab reprisals that could affect the island's tourist industry, Cypriot contractors and workers in Arab countries and Cyprus exports to the Arab world.

The police chief said seven Greek Cypriots were detained while strong police reinforcements were dispatched to the city to restore order. In the clashes, which lasted three hours, hundreds of young Cypriots described by police as "hooligans" attacked Arabs in restaurants and other places saying they did not want the Arabs in the town any longer.

Oct 6<sup>th</sup>  
Important changes to N.I. contributions.

From October 6th, 1985 a number of changes to National Insurance contributions come into effect. These are designed to help low-paid workers and their employers by reducing the contributions they pay. There is also help for the self-employed and those paying voluntary contributions.

The changes are not intended to affect the individual's benefit rights, even though lower contributions may be paid.

## EMPLOYEES AND EMPLOYERS (CLASS 1)

The major change is that a graduated scale of contributions will be introduced. This will mean, for example, an employee earning £80 per week will have £1.60 more in his or her pay packet and the employer will pay £2.76 less.

The upper earnings limit is to be abolished but only for employers.

	EMPLOYEE'S TOTAL WEEKLY EARNINGS	NOT-CONTRACTED-OUT (Payable at this rate on all earnings)	CONTRACTED-OUT (The appropriate Not-Contracted-Out rate is payable on the first £35.50 of earnings)
	£	%	%
EMPLOYEES	35.50 - 54.99	5	2.85
	55.00 - 89.99	7	4.85
	90.00 - 265.00	9	6.85
EMPLOYERS	35.50 - 54.99	5	0.9
	55.00 - 89.99	7	2.9
	90.00 - 129.99	9	4.9
	130.00 or more	10.45	6.35

Employers will pay the Not-Contracted-Out rate on earnings above £265 per week for employees who are Contracted-Out.

New contribution tables are being sent to employers together with leaflet NI208 showing the new contribution rates, and a supplement to leaflet NI215 "Employers' Guide to National Insurance Contributions".

If you haven't received them by September 17th contact

your social security office for Not-Contracted-Out tables (CF 391); or Contracted-Out Employments Group, DHSS, Newcastle-upon-Tyne NE98 1YX for Contracted-Out tables (CF 392).

Do not use the present green tables for earnings after October 5th. The new tables, for use from October 6th, will be blue.

Company Directors will have special arrangements for the 1985/86 tax year. The October 1985 supplement to leaflet NI35 will be sent to employers. If you haven't received this by September 17th contact your local social security office.

More than one job. If you are an employee with more than one job, see leaflet NI28 and October 1985 supplement. If you are self-employed as well as being an employee, see leaflet NI18, October 1985.

## SELF-EMPLOYED (CLASSES 2 AND 4)

Flat-rate Class 2 contributions are going down from £4.75 to £3.50 a week. If you pay £4.75 a week on or after October 6th by mistake, claim a refund at the end of the tax year when you exchange your card. If you pay by direct debit, lower amounts will be collected from November as contributions are collected monthly in arrears.

If your earnings are low you may not have to pay Class 2 contributions - particularly if you have recently started up your own business. If you think this may apply to you, ask your local DHSS office as soon as possible for leaflet NI27A "People with Small Earnings from Self-Employment".

If you pay Class 4 contributions, income tax relief is now available on half of these contributions from the beginning of this tax year (April 6th). Contact the Inland Revenue for information.

Share fishermen's Class 2 contributions are going down from £7.55 to £6.30 a week.

## VOLUNTARY CONTRIBUTORS (CLASS 3)

Class 3 contributions are going down from £4.65 to £3.40 a week.

If you want general information about National Insurance call the operator and ask for DHSS Freephone.

Issued by the Department of Health and Social Security.

WORLD TRADE NEWS

GLOBAL COMMENT DAILY IN THE FT



## AMERICAN NEWS

## Small rise in U.S. personal income

By Nancy Dunne in Washington

PERSONAL income increased a modest 0.4 per cent in July, with wages rising at their slowest rate this year.

The Commerce Department reported yesterday that wages and salaries increased only \$1.7 bn (\$1.2 bn) in July, compared with \$10.8 bn in June and \$7.4 bn in May.

The gain in personal income was largely due to a \$3 bn increase in retroactive social security payments during the month which resulted from a recalculation of the wage base of retirees. The report, like previous economic news this month, suggests a slowing economy and came as no surprise to private economists, whose estimates had ranged between gains of 0.2 per cent to 0.7 per cent.

Spending on goods and services also advanced last month by an unimpressive 0.4 per cent. The expenditure figures are being watched closely by economists who are concerned that heavily indebted Americans are becoming increasingly reluctant to spend. Disposable personal income—personal income minus personal tax and non-tax payments—rose 0.4 per cent in July after plunging 2.5 per cent in June.

With wages and spending increasing at the same rate, Americans held their savings rate to 3.4 per cent in July for the second consecutive month.

## Air Canada side-steps strike

Air Canada said yesterday it would keep flying in spite of a strike by 3,211 flight attendants that came at the peak of the holiday travel season. AP reports from Montreal.

The airline trained 1,800 Air Canada management personnel and university students as substitutes for the striking attendants.

## Rosenberg emerges as the man in charge of Brazil's economy

BY ANDREW WHITLEY IN RIO DE JANEIRO

A PREVIOUSLY little known economist, Sr Luis Paulo Rosenberg, has emerged in recent weeks as indisputably the most powerful of Brazil's quarrelling economic authorities: the country's chief debt co-ordinator and, in practice, though not in title, Minister of Economy.

His official title is the modest one of Presidential Adviser on the Economy. But as a key member of the "kitchen cabinet" President Jose Sarney is gathering around himself, Sr Rosenberg has effectively overshadowed Sr Francisco Dornelles, the

man appointed by the late President to direct Tancredino Neves as Finance Minister and "Sheriff" of the Brazilian Economy.

There has been no official announcement of the change, but the shift of power in Brazil is apparent for all to see. Sr Rosenberg speaks with confidence and authority about "my budget" and "my plans" to deal with bank creditors.

He has also forged a close working alliance with another Sao Paulo economist, Sr Jose Sayad, the influential Planning Minister, who, perhaps

best of the Government's ministers, understands the political necessities behind current economic policy decisions.

The Sao Paulo alignment is one which in a country still riven by regional rivalries has been to the obvious advantage of the Minas Gerais-born Sr Dornelles and of Sr Antonio Carlos Lemgruber, the Central Bank governor, who comes from Rio de Janeiro.

The fact that both these latter officials are orthodox monetarists unpopular with the politicians of the ruling

Democratic Alliance only adds to the gulf between the two camps.

The curious feature of Sr Rosenberg's rise to eminence is that he was a former pupil of Sr Antonio Delim Neffe and later, "backroom boy" for the long-term master of the Brazilian economy, now publicly discredited.

He first caught the President's eye at a "brainstorming session" in May when Sr Sarney brought together in Brasilia a group of leading lights on the economy to thrash out a priority agenda

to tackle the country's problems.

The 40-year-old Jewish economist with a doctorate from Vanderbilt University in the U.S. was the neutral aide Sr Sarney decided he needed.

When a mission from Brazil goes to the International Monetary Fund in the next few days—possibly at the end of this week—for what officials say will be the "last chance" for an agreement covering 1985, Sr Rosenberg is expected to be among them. He may even lead the team.

In the meantime the President's adviser is setting a deliberate pace of his own choosing. "As time goes by I hope the IMF will see we mean business," he told the Financial Times last week.

As for the bank negotiations, although these are not at the centre of attention at the presidential palace, Sr Rosenberg has already mapped out his scenario: New money? "Not only do I not need it (in the years under review, up to 1991) I don't want it," he emphasised.

## Diplomat to become coffee supremo

By Our Rio De Janeiro Correspondent

A CAREER diplomat, Sr Carlos Alberto Leite Barbosa, has been appointed as the new head of the Brazilian Coffee Institute, the IBC, following the surprise resignation last Friday of Sr Carlos Rischbieter.

Citing "insuperable differences of style" with government authorities, Sr Rischbieter's resignation is widely believed to be linked to the recent announcement by Sr Roberto Gusmano, the Industry and Commerce Minister, of a profound shake up in the inefficient and overstaffed IBC, possibly leading to its eventual abolition.

Sr Leite Barbosa, 50, who had been serving as ambassador to Colombia, was confirmed in the key official post, responsible for Brazil's most important export product, on Sunday after a meeting with President Jose Sarney.

Later Sr Gusmano said the new IBC chief, regarded as the leading coffee specialist in the Brazilian Foreign Ministry, agreed with his ideas on the administrative reform of the Rio de Janeiro-based institute.

Battered by a series of shocks in recent weeks, the Brazilian coffee industry, the largest in the world, is in a state of considerable disarray. Sr Leite Barbosa's most important initial task will be to restore a sense of confidence and direction.

With less than four weeks to go before the key annual meeting in London of the International Coffee Organisation—the producers and consumers cartel—the change of command at the IBC has shaken an already deeply demoralised organisation.

Andrew Whitley examines the Sarney Administration's draft proposals for revitalising the economy  
Brasilia performs aboutface and puts poverty first

FOR THE first time in nearly 50 years, the alleviation of poverty and its attendant ills are top of the priority list for a Brazilian Government.

As a draft National Development Plan now under discussion says, the greatest threat to national security does not come from the military's traditional bogies of communism or "subversion," but from "the poorest peripheries of the great urban centres, unsatisfactory salaries, malnutrition and precarious health services."

The document, drawn up by Sr Joao Sayad, the Planning Minister, proposes nothing less than a 180 degree reorientation of the role of the state in the economy and the development of the country as laid down since 1940.

The 39-year-old Planning Minister, a rising star in the five-month old Government of President Jose Sarney, is the cutting edge of the Democratic Alliance, the two-party opposition coalition which came to power on a pledge to "redeem the social debt."

The debt, argues this Government "Green Paper," is to more than 50m Brazilians, nearly 40 per cent of the population, who

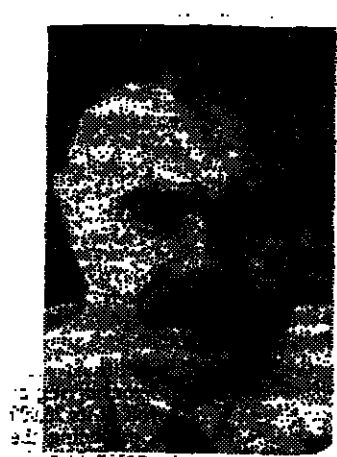
continue to suffer from acute misery despite the tremendous strides made by the economy since the Second World War.

To alleviate their condition, the Planning Ministry, with the backing of President Sarney, recently initiated an immediate programme of emergency support—a down payment, so to speak, on the debt—as well as a parallel "stabilisation" programme for the out-of-control public finances.

Economic authorities in the Government agree on few matters. But two points on which there is consent, though for different reasons, are the dangers of the snowballing public sector deficit and the economic benefits to be gained from a Thatcher-style privatisation programme.

Sr Roberto Gusmano, the Industry and Commerce Minister, a successful businessman in private life, and Sr Francisco Dornelles, his four counterpart at the Finance Ministry, are the zealous preaching the gospel of privatisation out of faith.

In recent weeks both have made outspoken speeches in favour of a far-reaching "sell-off" of large chunks of state-controlled industry as well as the abolition of Government



Sarney—new priorities

The greatest threat to Brazil's national security, according to the Government, is not communism or "subversion" but unsatisfactory salaries, malnutrition and precarious health services.

supervisory bodies in key sectors such as coffee, sugar and alcohol fuel.

While stopping short of recommending the end of state control of such internationally known groups as Companhia Vale do Rio Doce (CVRD), the minerals-based group, and Petrosbras, the oil company, the Industry Minister proposed that, for instance, parts of Siderbas, the steel holding company,

could usefully be privatised.

For a country in which the doctrine that the state should play the leading role in economic development has traditionally united both the Left and the Right, such proposals would in the past have been tantamount to treason.

There is a new wind blowing, however, as even the statist-minded Sr Sayad has recognised publicly. The development plan

document acknowledges public demands for "a reduction of the presence of the state in the productive sector."

The Planning Ministry proposes that, at a time of scarce public resources, what there is available should be allocated to needy areas of traditional government action, notably health, public transport and in response to the ever-growing problem of hunger in Brazil—basic foodstuffs.

Project of doubtful social value or limited economic return in the foreseeable future are to be axed. A list of 19 such projects, many of them celebrated "white elephants" such as the so-called Steel Railroad, has already been published. Others may follow if the cuts-hungry Finance Ministry has its way.

The Planning Ministry, with admirable resolve, says that during the Sarney Administration's expected four-year stay in office the Government will not initiate any new industrial, agricultural or infrastructure development project. Funds for those projects inherited at an advanced stage will be disbursed sparingly to finish them off.

In its analysis of the present economic scene, it notes that:

there is excess capacity in many parts of the industrial sector, which therefore needs no more state help; there is no more need for heavy public investment in basic raw materials or other industrial inputs and import substitution is well advanced.

While defending the need for a mixed economy in which the state would continue to play an important role, Sr Sayad argues that the massive allocation of resources which previous governments made to the economy actually aggravated the condition of the poorest in Brazil rather than ameliorating it.

Sr Sayad and the other economic ministers in their drive to revitalise and reorientate the economy, are gambling that the private sector will respond to their initiative and take up the space left by the retreating state.

With investment at negligible levels—thanks to the persistence of record interest rates and inflation and uncertainty over the substance as opposed to the rhetoric of Government policy, such a response from private business will take a large act of faith.

## TRANS-NATAL COAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

REPORT FOR THE QUARTER ENDED 30 JUNE 1985  
(Unaudited group results)

	Quarter ended 30.06.85	Quarter ended 30.03.85	Quarter ended 30.06.84	Twelve months to 30.06.85	Twelve months to 30.06.84
Tons sold ('000)	2	7,417	7,168	28,647	25,493
INCOME STATEMENT					
Group income before taxation	R(900)	R(900)	R(900)	R(900)	R(900)
Normal taxation	54,049	33,304	12,838	141,245	84,061
	12,431	7,660	3,338	31,739	22,238
Group income after taxation	41,618	25,644	9,500	109,506	61,823
Outside shareholders' interest	1,771	1,367	880	6,567	5,615
Attributable income	39,847	24,277	8,620	102,939	56,208
Deferred tax benefit—Net transfer	3	13,280	11,975	45,112	18,737
Distributable income	26,567	12,302	7,527	57,827	37,471
Capital expenditure	5	88,881	17,061	13,988	47,628
				61,230	61,250
Ordinary shares issued ('000)					9,187
Compulsorily convertible debentures issued ('000)					168
Earnings (cents)					92
—Based on ordinary shares:					
Attributable income					156
—Based on shares and debentures:					90
Attributable income					30
Dividends per ordinary share (cents)					35
—Interim					30
—Final					60
—Total					60
BALANCE SHEET					
Capital employed:					
Ordinary share capital					30,06.85
Compulsorily convertible debentures					R(900)
Distributable reserve					123,531
Deferred taxation benefits					76,720
					54,620
					154,894
Ordinary shareholders' and debenture holders' funds					409,795
Outside shareholders' interest					14,722
Long-term loans					150,117
					616,148
Employment of capital:					
Fixed and mining assets (net)					549,193
Non-mining assets					1,071
Investments					5,522
Net current assets					60,412
					616,148

Notes:

- Dividend No. 45 of 35 cents per share was declared on 24 July 1985 and is payable on 30 August 1985.
- Tonnage sold during the quarter was above average and the volume of sales for the year showed a 12.4% increase over the previous year—there were increases in the volume of sales for both the current quarter and the year to date showed marked increases compared with previous periods. Although an improvement in U.S. export prices has been noted, the main source of increased revenue from coal sales, apart from volume, has been from the more favourable Rand/U.S. exchange rate. A policy of selling forward a percentage of U.S. export proceeds has been followed throughout the year and is presently ongoing.
- The group's accounting policy regarding 'deferred taxation' has been reconsidered. It has been concluded that the appropriate method of accounting for deferred taxation is dictated by the classification of the underlying timing differences according to the incidence of the actual effect thereof on taxation payable. Hence, both the 'deferred' and 'liability' methods of accounting should be applied by the group with differentiation, in respect of particular timing differences, according to such a classification. This policy has now been adopted, effective 1 July 1984, as opposed to the previous policy of accounting for deferred taxation according to the 'liability' method only in respect of all timing differences. However, the timing differences currently existing within the group all fall within that classification which dictates application of the 'deferred' method. Accordingly, the previously announced intention to increase the deferred taxation account by an amount of R16,467 million, due to the introduction of the special surcharge of 15% on taxation payable, is not appropriate and will therefore not be implemented. The applicable comparative figures have been restated or regrouped to reflect the effect of the modified policy.
- Earnings based on ordinary shares and compulsorily convertible debentures is expressed after having been adjusted for debenture interest (after tax) and on a weighted average as the debentures were not in issue for the whole year.
- Capital expenditure includes R39.6 million being the Group's further share of expenditure incurred to the end of the financial year on Phase II expansion of the Richards Bay Coal Terminal. This expenditure has been funded by an interest free loan.
- No new foreign loans have been raised during the year. Foreign loans at 30 June 1985 totalled US\$597.7 million (1984 US\$577.8 million) of which US\$12.8 million is covered in terms of formal contracts with the balance of US\$584.9 million being formally deemed covered against future export earnings at a rate of US\$0.735 = R1.

On behalf of the board

S. P. ELLIS — Chairman

G. C. THOMPSON — Managing Director

Johannesburg, 20 August 1985



## WORLD TRADE NEWS

## Asean fears U.S. Bill to curb textile imports

By Chris Sherwell, South East Asia Correspondent

PROPOSED U.S. legislation to limit textile imports has caused grave concern in the member Association of South East Asian Nations (Asean) because it could do irreparable damage to the region's textile industry, a U.S. Congressional spokesman told in Bangkok yesterday.

The delegation is led by Congressman Sam Gibbons, head of the trade sub-committee of the House Ways and Means Committee. The proposed Textile and Apparel Enforcement Act is known more commonly as the Jenkins Bill.

A team from Asean—which comprises Thailand, Indonesia, Malaysia, Singapore, the Philippines and Brunei—forcefully reminded the U.S. delegation of the grouping's importance to the U.S. in economic, trade and security terms.

"We in Asean are increasingly sensitive to the growing protectionist mood in Congress," the Asean statement said. "We are apprehensive about proposed legislation and administrative measures that will seriously hurt Asean economies."

The Jenkins Bill would "drastically cut" Asean textile exports and do irreparable damage to a key industry, was contrary to the spirit of free trade, violated provisions of the Multi-Fibre Arrangement (MFA) and was discriminatory, the statement said.

The six-nation grouping urged Congress to support the negotiation of the MFA to reduce U.S. concerns, saying Asean would view favourably U.S. problems. The U.S.'s biggest trade problems, it insisted, were not with Asean. The member-states most likely to be affected by the legislation are Thailand, Indonesia, the Philippines and Singapore.

All would face quotas under the Jenkins Bill.

## Boeing in \$50m airliner pact

BOEING of the U.S. has won an order for two 737-300 (twin-engine, short-to-medium range) airliners, worth about \$50m (\$33.7m) from International Lease Finance Corporation (ILFC), Beverly Hills, California. Michael Donne, Aerospace Correspondent, writes.

This deal is part of a Memorandum of Understanding announced last May, whereby ILFC planned to buy up to 21 new-generation jet airliners worth \$1bn over the next few years.

## TAX INCENTIVES URGED FOR JAPANESE COMPANIES

## Aid investment abroad, Miti told

BY CARLA RAPOPORT IN TOKYO

THE JAPANESE Government should encourage overseas investment by Japanese companies through tax and financial incentives, according to a report released by an advisory committee to the Ministry of International Trade and Industry (Miti) yesterday.

Direct overseas investment by Japanese companies last year leapt by 24 per cent to top \$10bn (\$7.1bn) for the first time, the advisory committee reported.

Investment in banking and insurance overseas showed the largest increase, nearly doubling from \$1.2bn to \$2.1bn last year.

Nonetheless, the advisory committee called on the Japanese Government to promote overseas investment to help ease trade friction, reduce protectionism and help boost the world's economy.

The group showed that although growing Japanese overseas production relative to domestic production is only 3 per cent against nearly 30 per cent for the U.S. and even more for West Germany.

The group reported that Japanese companies are diversifying away from making developing country investments

## TRENDS IN JAPANESE DIRECT FOREIGN INVESTMENT (\$m)

	1979	1980	1981	1982	1983	1984	1985
Agriculture, forestry and fishery	154	72	111	62	35	50	1,167
Mining	857	545	2,534	485	382	404	11,598
Manufacturing	1,693	1,705	2,382	2,076	2,588	2,585	22,048
Construction	85	37	94	44	85	112	783
Commerce	1,394	797	1,174	1,899	1,164	1,482	11,128
Banking and insurance	198	388	843	533	1,167	2,085	7,854
Service and others	1,006	925	1,758	2,255	3,252	3,216	15,590
Real estate and branch offices	153	210	110	149	200	221	2,583
Total	4,995	4,493	8,931	7,793	8,145	10,155	71,071

Figures based on investments notified to Japanese government. Cumulative: fiscal 1951 to fiscal 1984.

primarily and are now making large investments in both developing and developed countries.

The areas of emphasis in developed countries has been in electrical machinery, electronics and transportation machinery, the study stated.

"The decision to invest with individual private companies, but because industrial co-operation is an urgent and important task in today's international economic environment, the government should study ways of supporting it through tax and financial measures," the study concluded.

The report also said that the management of overseas operations by Japanese companies was "not yet satisfactory." It called on companies to improve their international management. "They should make an effort to participate in cultural and volunteer activities as contributing members of the society in which they operate."

More important, it is necessary to carry out personnel training for this age of internationalisation. Mr Robert Dole, U.S. Senate majority leader, yesterday called on Japan to act now to reduce its trade surplus and

head off protectionist bills in the U.S. Congress. Reuter reports from Tokyo.

"We can no longer avoid a trade confrontation. We have one," he said. "The time is past for gestures. Immediate action is needed."

Mr Dole, in Japan with six other senators for talks with ministers and business leaders, acknowledged that much of the \$37bn U.S. trade deficit with Japan last year was due to the vast budget deficit and the dollar's high value.

But he added: "None of this can erase the fact that our major problem is with Japan."

## Siberia deal for Snamprogetti

BY JAMES BUXTON IN ROME

SNAMPROGETTI, the engineering and contracting subsidiary of ENI, the Italian state-owned energy group, is to instal in Siberia a system for the transport of coal by pipeline from pithead to power station.

It has obtained a contract worth about L100bn (\$38m) from Technomashimport of the Soviet Union to construct a coal transport system between Belovo coalfield and Novosibirsk in Siberia.

The total investment on the part of the Soviet Union is in excess of L500bn, and the project should be completed in 36 months.

Snamprogetti has developed and patented a system called Reocarb which entails breaking down coal into small pieces, mixing it with water and a small dose of an additive agent, and moving it by pipeline from pithead to power station.

At the power station, the coal-water slurry is burnt without further treatment.

Snamprogetti says its system, of which only prototypes have so far been constructed, is the most advanced of the kind, and the company hopes to win other orders both in the Soviet Union and elsewhere.

It says that the Reocarb system solves both major problems associated with coal-transport and coal dust pollution.

Snamprogetti will provide the technology under licence, and will also supply the principal equipment and the combustion system. It will be capable of shifting up to 10m tonnes of coal a year through a 260-cm pipe line the diameter of which will be 530 mm.

Under the Reocarb system, a coal-water slurry consisting 75 per cent of coal is created. The slurry can then be pumped and even stored in tanks, and the system can be used for a wide range of types of coal and coke.

## HK rejects Dragonair flights plan

THE HONG KONG Government has rejected an application by Hong Kong airline, heavily subsidised by China, to operate charter flights from the British colony to Peking and Shanghai, the Hong Kong Civil Aviation Department said yesterday. AP reports from Hong Kong.

Dragonair, a subsidiary of Hong Kong Macao International Investment Co., had planned to operate twice-daily charter flights to Peking and one daily flight to Shanghai, a department statement said.

The statement acknowledged that scheduled services to Peking and Shanghai do not meet public demand, but noted that non-scheduled flights are generally approved to supplement the service.

The statement added that efforts have been made to reach agreement with Chinese aeronautical authorities to allow the Hong Kong-based Cathay Pacific Airways to operate additional flights to Shanghai and to start scheduled flights to Peking.

Dragonair's chief executive, Mr Stephen Miller, described the departmental rejection "unfair and discriminatory." Mr Miller said his company was prepared to take "whatever action which may be necessary" to protect its interests.

## Asea wins SKr 1.5bn order

BY DAVID BROWN IN STOCKHOLM

ASEA, THE Swedish electrical engineering, electronics and diversified industrial group, has won an order worth SKr 1.5bn (\$130m) to supply the Norwegian Defence Ministry with 2,000 tracked all-terrain vehicles and spare parts for delivery over a four-year period, starting in 1987.

The contract is the largest export order for Asea's subsidiary, Haglund & Söner, and corresponds to some two years' production, a spokesman said.

Haglund & Söner is to

counter-purchase some SKr 600m-worth of sub-contracted parts from Norwegian industries under an offset protocol governing military sales between Stockholm and Oslo.

It has already signed an SKr 100m contract with Viking/Mjondalen for rubber tracks to be used in the BV206 troop and equipment transporter. It is also negotiating on joint development and production of a gun-turret with Kongsbergs Vapenfabrik, a spokesman said.

duced in 1983, is in service with the Swedish military. Although primarily designed for military purposes, the vehicles also have civil applications and are not classified as "military equipment" under Swedish law. This eases export sales.

Other major customers are the U.S., UK, West German, and French defence ministries. Haglund & Söner, which has annual sales of some SKr 1.4bn, also sells dock cranes, tanks, mining and contracting equipment, railway vehicles and hydraulics.



## UK NEWS

## Disputes code agreed at Sanyo

A CODE of practice has been agreed between Sanyo and the electricians' union, the IETPU, which builds in to the no-strike agreement at the company's Lowestoft plant a provision for balloting on any management and union proposals to end disputes.

The code, agreed last month, is aimed at providing a stable basis for future negotiations after a breakdown in relations between the union and the company at the plant over a wage dispute earlier this year.

The code lays down that, at the final stage of negotiations within the joint negotiating committee, the parties will attempt to resolve by negotiation any remaining differences to the point where the union will recommend acceptance of the proposals and hold a ballot of its members.

If no agreement is found in the committee, however, the union would be given facilities to organise a ballot. Once the code of practice has been exhausted without agreement, both sides are free to put their case to an arbitrator.

The code of practice gives a new dimension to the Sanyo "no-strike" agreement of the kind pioneered by the IETPU and under heavy criticism from unions on the left of the movement.

SUN OIL's British subsidiary has raised credits of \$70m to fund its share of a North Sea gas project of which Atlantic Richfield (Aro) is to be the operator.

The credits, raised equally from National Westminster Bank and Bankers' Trust, are to finance Sun Oil's 23.33 per cent holding in the Thames Development Project in the southern basin block.

The project, regarded as a minor one in North Sea terms, is expected to cost just over £200m to develop. It has an estimated 450bn cu feet of reserves, which are expected to begin flowing late next year. Thames is adjacent to the Leman gas field in which Sun also holds an equity.

FALLING DEMAND for cable television services has resulted in substantial cutbacks at Greenwich Cable Communications in London.

The company, which is quoted on the unlisted securities market, has halved its staff, abandoned its local television and radio production and started looking at ways of raising further funds.

The loss-making group said: "In common with the whole of the cable television industry, Greenwich Cablevision has suffered a continuing and substantial loss of subscribers during the spring and summer months."

A MEETING of creditors of Mr Ron Shuck, the former property developer, has been told that he has debts of over £2m and assets of only £130,000.

Mr Shuck ran the Espley Tynes group which went into liquidation last April with total liabilities of about £48m. His creditors include Barclays Bank, National Westminster, the Midland, Lloyds and William and Glyn.

STC, the telecommunications and computer company, is to lose the services of Mr E. S. Newman, an executive director who will leave the board in September. He is understood to have been in poor health for some time. Sir Kenneth Corfield, chairman, resigned earlier this month after mounting criticism of the company's performance on the City of London.

BRITISH AIRWAYS is to spend £35m during the winter of 1986-87 in modifications to its long-haul Lockheed TriStar jets to improve their cargo-carrying capacity.

The changes will increase the aircraft's cargo capacity from seven tonnes to over 12 and enable the airline to earn an additional £10m a year in revenue.

## Output flattens but growth 'still on 3½% target'

BY PHILIP STEPHENS

THE PACE of Britain's economic recovery appeared to slacken in the three months to June but output was still well above the level in the same period of last year.

The Central Statistical Office said yesterday that the output measure of gross domestic product (GDP) rose 0.6 per cent in the second quarter of 1985, after a much stronger 1.5 per cent increase in the three months to March.

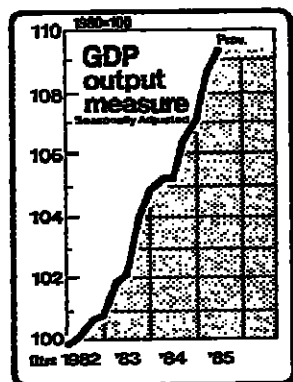
Adjusted for the miners' strike, output was flat between the two quarters. The dispute had only a minimal impact in the three months to June, while it depressed output by about 1 per cent in the first three months of the year.

Almost all of the recorded growth in the second quarter was in the production industries, largely reflecting a 6 per cent increase in energy and water supply and, particularly, the recovery in coal output.

The figures show that, compared with the second quarter of 1984, output was nearly 4 per cent higher in the latest three-month period, although about 1 percentage point of that was attributable to the bounce back from the miners' strike which ended in March.

The flat performance in the latest three months is likely to strengthen calls from industry for early government action to bring down interest rates and to engineer some depreciation in the pound's value against other European currencies.

The Confederation of British Industry, after beginning the year extremely optimistic over the outlook for growth, has recently voiced concern that sterling's appreciation



and the high level of borrowing costs could seriously damage the recovery.

The view in Whitehall yesterday was that the economy remained on target to achieve 3.5 per cent growth this year, in line with the Treasury's budget forecast last March.

Officials said that quarterly movements in the output measure of GDP were frequently erratic and often at variance with the other measures of activity - incomes and expenditure. These would not be available until late next month.

On the basis of six-monthly data, output has been rising exactly in line with the official forecast.

There is likely to be some anxiety in the Treasury over the outlook for growth next year if interest rates remain close to their present levels. The budget predicted output rising by an annual 2½ per cent in the first half of 1986, but that was before the sharp rise in the value of the pound.

## Trafalgar declares interest in Vosper Thornycroft shipyard

BY LYNTON MC LAIN

LAZARD BROTHERS, the merchant bank, expects to receive final sealed bids for Vosper Thornycroft, the Southampton shipyard, by the middle or end of next month in a further move towards the privatisation of British Shipbuilders' warship yards.

At about the same time the bank hopes to issue the initial memorandum for sale of the Vickers Shipbuilding and Engineering company, which will be sold by the Government with Cammell Laird, the Birkenhead warship yard.

Only one company, Trafalgar House, yesterday declared its interest in Vosper Thornycroft. "We have certainly looked at Vosper, but we cannot say whether or not Trafalgar House wants to bid for the company," a company official said. The management of Vosper Thornycroft is also understood to be prepared to bid for the yard.

Trafalgar House made an unsuccessful bid against GEC for the Yar-

row warship yard but did not bid for the Hall, Russell yard at Aberdeen.

The initial deadline for companies, individuals or organisations to express a firm intention to bid for Vosper Thornycroft expired last Friday.

GEC, the UK engineering and electronics group which bought the Yarrow warship yard on the Clyde earlier this summer in the biggest warship privatisation so far, has decided not to bid for Vosper Thornycroft. GEC received the memorandum for sale of the Vosper yard but did not request further confidential information about the company.

"I was never in the hunt for Vosper Thornycroft," Mr Malcolm Bates, deputy managing director of GEC, said yesterday. "I have already written to Lazard Brothers to say we are not interested in Vosper." The company wants to be kept informed about other sales, but it was too early to say what else

GEC might be interested in, the company said.

The Government received a total of £34m arising from the sale of Yarrow to GEC. Mr Norman Tebbit, the Trade and Industry Secretary, told MPs in March. The statement was made months before GEC had formally signed the contract for the sale of Yarrow.

Lazard Brothers is having difficulty finding a buyer for Hall, Russell, which makes small, specialised vessels such as salvage tugs for the Ministry of Defence.

The bank is, however, preparing for activity in the warship privatisation programme to step up considerably next month. It expects to have sold Vosper Thornycroft, Hall, Russell and Swan Hunter, the large warship yard on the Tyne, by the end of October. Talks are under way with unnamed interested parties about the sale of Swan Hunter, where the management has indicated a willingness to bid for the yard.

## BL unions told of job losses

BY OUR MIDLANDS CORRESPONDENT

AUSTIN ROVER, BL's volume cars company, told union leaders yesterday that planned cuts in production will throw up a surplus of 940 workers. Most of these, will be retained, thus limiting job losses at Longbridge, Birmingham, to about 200.

Production schedules on the Metro, Maestro and Montego models are being reduced by around 10 per cent from next month in order to reduce stocks. The company blames the move on the distortions to the market caused by the new August registration prefix, which concentrates about 20 per cent of

annual UK sales into just one month.

Austin Rover confirmed last night that it is also considering at least a one-week layoff of its 28,000 manual workers by extending the September holiday break into the first week of October. While Austin Rover output climbed by nearly 60,000 to 257,000 in the first half of this year, sales so far are only marginally up on last year.

Cutbacks on Maestro and Montego output at Cowley, Oxford, will create a surplus of 600 workers. The

company said most of these employees would be redeployed, the majority on the build-up of production of the XX, the new executive car scheduled to be launched next summer.

The slow down of Metro assembly at Longbridge will affect 340 workers, but the company is seeking only up to 200 volunteers for redundancy. Mr Jack Adams, the Longbridge convenor, said shop stewards would be putting an alternative plan to the management tomorrow in an effort to avoid redundancies.

## Production stops of Enterprise computer

FINANCIAL TIMES REPORTER

PRODUCTION of the Enterprise home computer has ceased. Welwyn Electronics, a subsidiary of Crystallite Holdings, which was the sub-contractor making the Enterprise home computer at Bedford, Northamptonshire, announced the end of production yesterday.

At one time, Welwyn Electronics expected substantial orders to make the much-delayed Enterprise computer and announced that a number of new jobs would result from the product. Yesterday it said that a bank guarantee placed with Welwyn Electronics had ensured that there was no financial loss to Crystallite.

"Job dislocation will be minimal and production staff have been transferred to other assembly work," the company said. "Welwyn Electronics Systems is commissioning an additional 85,000 sq ft factory at Blyth, which will initially employ 250 people, to cope with increased assembly work on existing contracts."

The main creditors and bankers of Sinclair Research held a meeting with the troubled home computer group late yesterday to hear details of the company's plans.

The company had already given individual companies information last week and was thought to have been seeking their general approval last night.

The pound has appreciated by about 17 per cent since hitting its low-point of the year in February, undercutting the competitiveness of British companies on both the domestic and international markets.

Phillips & Drew says that the sterling index, at present standing at about 82 (1975=100), would have to fall to 70 or less in order to offset the adverse effect of the pound's present strength on profits growth.

A fall of that size, however, would run counter to the Government's anti-inflation policy, especially in view of the upward trend of pay settlements.

Instead, the broker argues, the Government would probably accept only a much smaller depreciation. This would be insufficient to reverse the downward pressure on profits.

Temporary respite will result from the beneficial impact on import costs of a strong pound. Overall, however, the broker suggests that a 10 per cent rise in the exchange rate reduces profits by 4 per cent in the first year and a further 4 per cent in the second.

Strong pound expected to squeeze profits

BY PHILIP STEPHENS

BRITISH COMPANIES can no longer rely on a steady boost to profits from a falling exchange rate, and any further improvement in industry's rate of return will depend on a much better productivity performance, according to a new City of London study.

The analysis, from broker Phillips & Drew, suggests that after a brief respite over the next few months the recent appreciation in sterling's value will again put strong downward pressure on corporate profits in the first half of 1986.

Temporary respite will result from the beneficial impact on import costs of a strong pound. Overall, however, the broker suggests that a 10 per cent rise in the exchange rate reduces profits by 4 per cent in the first year and a further 4 per cent in the second.

The efforts by Abbott show the importance with which the health care industry regards the market for testing for Aids, a disease that has killed several thousand people in the U.S. and about 100 in Britain.

In the past year Abbott has built up a dominant position in supplying simple-to-use kits that spot Aids antibodies. The company has sold about 1m Aids kits, each costing £1-£2, mainly in the U.S. It is stepping up efforts to supply the kits in Europe.

Aids, which is spread by contaminated blood and so far has affected mainly homosexuals, haemophiliacs and drug abusers, gradually destroys the body's resistance to diseases such as cancer.

In attempts to stop the spread of Aids through donated blood, most Western European countries are introducing tests for Aids antibodies at transfusion clinics. Diagnostic kits of this kind were introduced in the U.S. in March.

From October, the UK Department of Health plans to begin testing all the 2.2m pint of blood do-

noted each year. The department is expected next month to advise health authorities on which of several commercial kits to buy. This will be on the basis of trials of rival kits at the chief reference laboratory of the public health laboratory service in Colindale, north London.

Three weeks ago the Department of Health announced that diagnostic kits made by Wellcome, a British company, and Organon of the Netherlands had emerged creditably from the first stage of trials of Colindale.

Other tests made by Abbott and two other U.S. companies - Litton and Electronic Laboratories - came out badly from the evaluation. Next month the Colindale laboratory plans further trials on a second batch of diagnostic kits, made by the Paris-based Pasteur Institute and Du Pont and Travenol, both of the U.S.

Abbott says it was "surprised and perplexed" by the results of the trials.

Abbott Laboratories, a major U.S. pharmaceuticals company, is lobbying U.K. government officials and doctors in an attempt to change the Department of Health's stance on the company's technique to test blood samples for Aids (acquired immune deficiency syndrome).

Abbott thinks it could be cut off from supplying Aids tests to Britain - a business that could be worth £5m-£10m annually - on the basis of what it says were misleading results from an evaluation carried out by the department.

The Chicago-based company, which has annual sales of \$3.4bn and is the world's biggest enterprise in diagnostic medical techniques, last week sent Dr Derek Bonewitz, one of its senior scientists, to explain its case on Aids testing to department officials.

In an attempt to put further pressure on the UK Government, Abbott is lobbying leading physicians around the country and is organising its own set of trials on Aids testing at one of England's 14 regional health authorities.

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## Canning pays £2m to acquire U.S. dental laboratories

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

W. CANNING, until recently a traditional Birmingham engineering company, yesterday announced a U.S. acquisition that it claims will make it the largest laboratory business in the world.

Overnight, Canning will have as many employees in the U.S. as its 900 in the UK. Turnover of about £30m a year will increase by £28m with the purchase, for less than £2m, of much of the Denticon division of Sybron, a big U.S. corporation. Canning is acquiring dental laboratories in 27 locations.

Mr David Probert, chief executive of Canning, said last night that although it would have only 3 per cent of the fragmented U.S. market, it would still be the largest operator and in a strong position to pursue growth.

W. Canning, which this year celebrates its bicentenary, has undergone dramatic restructuring since recession hit the West Midlands in 1979.

Some 1,600 jobs have been axed as the company has closed factories and moved out of the manufacture of process plant and engineering to concentrate upon expansion in higher added-value chemicals, metals and electronics.

Canning has sought acquisitions in continental Europe and the U.S. to compensate for the decline of its traditional UK manufacturing base. Mr Probert stated: "We have to seek expansion overseas. We now sell more chemicals to the bicycle industry in Bangladesh than to the bicycle industry in the UK."

Mr Probert pointed to the logic of the U.S. move, that the dental industry would use the chemicals, products and metals supplied by Canning's UK operation.

Equally, the waste from the industry from gold and metal fillings would provide the raw material to feed John Betts Refiners, a Canning subsidiary involved in the recovery of precious metals.

Mr Probert, a 47-year-old accountant, took over the top job at Canning just before the onset of recession in 1979. He pulled out of process plant and engineering, closed old factories and cut the labour force from 2,500 to 900. Growth is now focused upon the three high added-value core activities: chemicals, metals and electronics.

Turnover fell from more than £82m in 1980 to £47m last year, but pretax profit climbed from £1.63m to £1.84m.

Recent purchases include Euro-mega, a Paris-based distributor of electronic components, in which Canning took an 80 per cent stake last December.

It was in November last year that Canning moved into the U.S. health care market by buying two dental laboratories selling to dentists in the New Jersey and New York areas.

Mr Probert pointed to the economy of visiting dental practices both to deliver new products and collect the waste for Betts Refiners. "We also found that we liked the management we acquired and the markets we were dealing in."

Repeated trips to the U.S. and a detailed market research by Mr Probert led to yesterday's announcement. He will be travelling to the U.S. next week to supervise rationalisation of the acquisition - "to chop out the loss-makers."

Mr Probert said the quality and management of each of the centres would be crucial.

This is the start of something very big.



## Abbott lobbies health officials over its kits to test for Aids

BY PETER MARSH

ABBOTT Laboratories, a major U.S. pharmaceuticals company, is lobbying U.K. government officials and doctors in an attempt to change the Department of Health's stance on the company's technique to test blood samples for Aids (acquired immune deficiency syndrome).

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## TECHNOLOGY

## Rival paths to fulfilling a computer user's dream

THE DREAM of computer users everywhere that one day their terminal would be able to talk to any other system is now closer to coming true.

Scientists in Europe and Japan are working on methods of allowing different computers to talk to each other. Both are based on the "open systems interconnection" (OSI) model, but their approaches to the problem are quite different.

In Europe, a consortium including Case Communications, of Watford, has received EEC funding for developing network products which incorporate OSI standards and services.

In Japan, however, the main thrust is towards the creation of chips, possibly costing as little as \$200, which will be incorporated into individual microcomputers. So far this technology has been used in an adaptor that links terminals and facsimile machines.

According to Dr Peter Scott, head of the National Computing Centre's telecommunications division, there is room for both approaches because there are so many terminals wanting to talk to each other. Dr Scott recently returned from Japan

### Japan and Europe are taking different routes in the quest for computer compatibility, reports Alistair Guild

The European objective, he says, is to devise products that enable virtually any make of processor or terminal device to communicate over any network, public or private, national or international. And these networks could contain within them many separate, private corporate networks, managed individually or collectively.

The two-year project, which is receiving 5m European Currency Units from the ESPRIT fund, for information technology, will involve both hardware and software development. The consortium partners are RO Computers, a leading Danish manufacturer of microcomputers and personal computers, which has also supplied packet switches, primarily to the Danish PTTs and Fischer and Lorenz, overall project co-ordinators and a consultancy with particular OSI expertise. It has already produced the EEC tutorial document on the upper levels of the OSI models and sits on the standards committee.

A third partner is Sysware, a software house specialising in graphic systems, an increasingly critical element in the user interface to networking systems. Case, which already manufactures a range of network products from modems to multiplexers, will be primarily involved in the development of an OSI packet assembler and disassembler. This will incorporate the fullest extent of the OSI model and reduce the present need for protocol converters, often necessary to transfer files between different systems.

"The future market for OSI networks is very much a worldwide one," says Mr Killick. "The EEC wants to foster OSI standards and make public procurement of information technology products dependent on meeting those standards. That way they can curtail the dominance of IBM. We also see major opportunities for OSI products in North America. The Japanese adaptor, which

will also take another two years to develop, could pose a severe threat to that success once in chip form according to Dr Scott.

Its massive development costs will be offset initially in meeting the demand for microcomputers that can talk to a new generation of facsimile terminals soon expected to supersede the large number of facsimile machines already in service. These terminals will accept both incoming pictures (facs) and text.

Even in its present form, the adaptor, connected to a micro via an RS 232 interface, permits communication at up to 4,800 bit/second over the public telephone network. In "extended control" mode, it will also be able to implement teletext protocols. "This poses a considerable threat to the whole UK teletext industry, particularly as it operates at much higher speeds than teletext," says Dr Scott.

The Japanese, who are at present marketing the adaptor as a stand alone device plugging into the back of a terminal, do not yet use the full OSI protocols.

The European initiative could

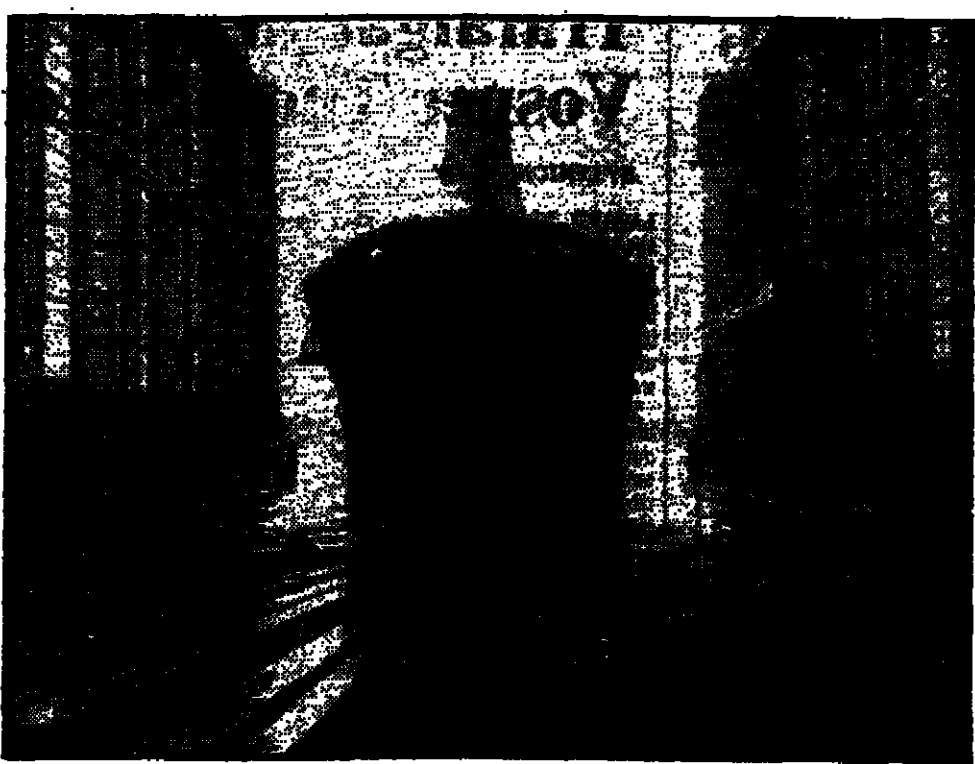
**It is one more example of the fruitful way in which government and industry collaborate?**

also benefit from being designed for the packet switching network, which is both faster and cheaper than the public telephone network used by the Japanese technology.

But Dr Scott's overall impression was that the device, demonstrated by companies like Hitachi, Fujitsu, Canon, NEC, Toshiba, OKI and NTT, "could sweep the board. If Japanese manufacturers can implement the protocols and the modem on a chip and sell it for less than \$200, it will be cheaper than most modems on the market today, yet offers so much more."

"It is one more example of the fruitful way in which government and industry in Japan collaborate."

The UK Department of Trade and Industry and the Treasury are at present discussing financing of proposed OSI projects, due to get underway in 1986-87.



## Slipping ahead

WEST GERMAN engineers have come up with a new way to launch ships from slipways that could spell doom for the traditional method of sliding vessels into the water on a layer of grease and soap.

Richard Klinger, a company in Idstein, Germany, is selling sliding plates for slipways made from a material with the lowest coefficient of friction of all known solid substances.

The plates are fixed to a cradle on which the hull of the ship is constructed. The first slipway to use the plates is at a German shipyard in Labbeck-Travemünde (pictured left).

The sliding plates contain a polytetrafluoroethylene called Hostafon, Hoechst, the German chemical company that makes it, says the technique could help to cut the costs of ship production.

The soap and grease layers

The good news is FERRANTI Selling technology

conventionally used in slipways can sometimes cause problems. For instance, the layer may not be thick enough in places, causing damage as the vessel is launched.

Sliding plates have other uses too. They can help move structures weighing up to 15,000 tonnes in the construction business and in equipping offshore oil rigs. They have also proved useful in the erection of bridges and industrial plant.

In a further application, the plates can be permanently embedded in buildings to absorb movements during the life of the structure caused by heat expansion, vibration or settlement.

## How video threatens TV's advertising revenue

## Video &amp; Film

BY JOHN CHITTOCK

COMMERCIAL television in Britain is not having a happy year. Apart from a poor start to 1985 in terms of advertising revenue, the ITV companies fear the possibility of having to share the advertising cake with the BBC. Nor are they happy about new media technology.

The videocassette recorder has encouraged a habit that is unpopular with TV advertisers—the use of the fast forward button to skip commercial breaks. And the growth in the use of remote control TV switches—26 per cent of all receivers in the UK now have them—has made switching channels much easier, research suggests that people with remote controllers change channels 70 per cent more often than those without.

Other developments which mean advertising cash is dispersed more widely—such as cable and satellite TV—have not been good news either, although some believe the spread of satellite TV into Europe unlocks advertising budgets not previously available.

There are, however, other trends which might be more harmful to ITV's revenue. More companies are showing interest in ways of achieving exposure without paying for conventional advertising slots. The availability of new delivery systems

from the video recorder to satellite television—has loosened the grip of ITV and the BBC. Any company wishing to reach 1m people on television is no longer at the mercy of a programme controller or an ITV rate card; there are other routes to reach a mass audience, cheaper and arguably more effective in certain circumstances.

The opportunities arise in the UK because video recorders now exist in millions, not hundreds of thousands; cable television reaches tens of thousands and maybe millions soon; and some satellite services—such as Sky Channel—are making international audiences available. Sky's latest deal (in French-speaking Belgium) leads them to claim a potential audience of 4m—albeit little over half the video recorder population in the UK alone.

Sponsorship obviously hovers in the wings when such opportunities are available, especially since these new outlets generally need as many programmes as possible at as little cost as possible. One of the latest plans for satellite TV in Europe for example is a business channel—provisionally named Executive—based on sponsorship plus advertising. The well-publicised lifestyle channels for UK cable rely on similar concepts, and there are

now an increasing number of videocassette releases which—although carrying a price tag—owe their origins to sponsorship.

Another idea gaining favour is the "your name here" concept on prestigious programmes which are assured a wide international audience. The idea has been around for decades in the feature film business, and it is no accident that the latest James Bond film makes enthusiastic use of Philips electronic hardware. But it is now possible for a company to move up-market and have its name on the credits of television and video releases of opera and ballet productions.

It is video, in particular, which has provided the catalyst for change. The low cost of videocassette copies and the availability of large audiences has meant that editorial control of moving pictures is no longer the sole preserve of the broadcasters or cinema chains. Videocassettes are becoming a credible alternative to advertising—as for example 5,500 copies despatched to share

holders by Currys in their fight against the Dixons takeover; a play also used in the recent Burton/Debenhams battle.

There are, however, new problems for industry now that technology has swept aside the political and editorial controls that existed with the traditional media. These problems are concerned with quality and credibility.

The sheer volume of television and video programming now being offered to viewers threatens to drive them into a state of electronic epilepsy. Against the highly principled editorial attitudes of the BBC and ITV, the average sponsored programme lacks credibility—with its relentless determination to get a message across instead of allowing the viewer to form an opinion.

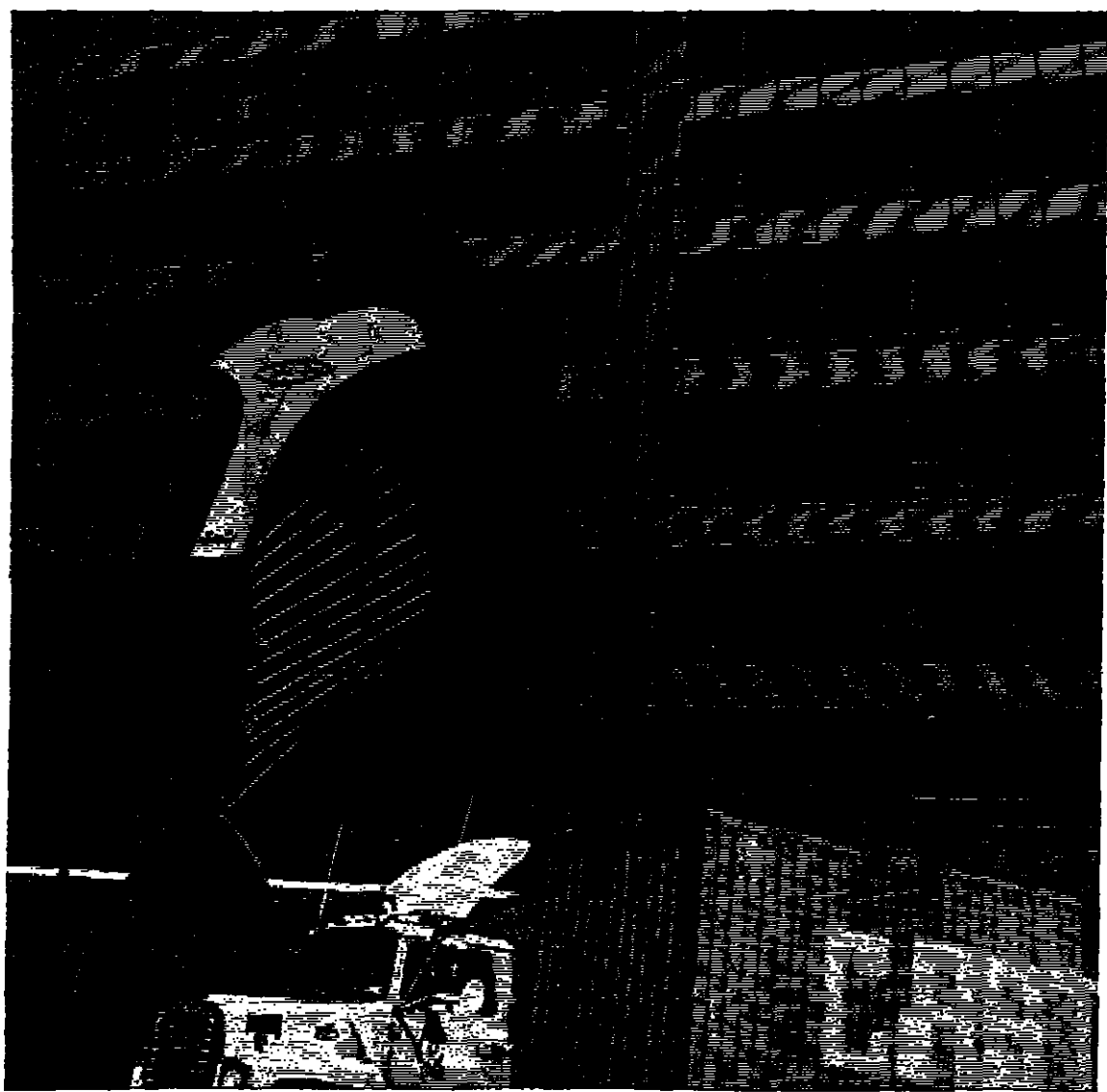
It may be rare to find a Government agency showing how it should be done, but this is precisely what the Central Office of Information has been doing for many years—especially with its science series Perspective. These 26-minute programmes—of which 13 are produced every year—have covered everything from computer technology in the aerospace industry to new discoveries in chemotherapy. They have a straight, objective style about them—very similar to the

much-admired BBC series Horizon—and in consequence have reached national television audiences in some 38 countries around the world and achieved a stature that belies their PR intention of projecting a scientific image of Britain.

The COI's task has not stopped at technology. Over the last five years, five films have been made and seen on overseas television to present a balanced view of the Afghanistan war; and just a few weeks ago, the COI completed a documentary about life on the Falklands.

However, the COI's success should be a warning as well as an encouragement. Although the proliferation of new delivery systems now makes large audiences more accessible to sponsors at low costs, the bombardment with technology must give way to a greater concern for production quality; and concern for the intelligence and needs of those at the receiving end. Viewers are becoming more discriminating, as are the distributors who nonetheless want cheap or free programmes. The computer industry found it necessary to create the aphorism "garbage in, garbage out." The time is high for the media business to discover that a programme paid for is not necessarily a programme watched.

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Rain-soaked zebras can be lethal because a film of water lies on the road surface and cuts down contact with the tyre.

The High Street becomes Skid Row.

One way to improve skid-resistance is to

treat the road with a surface developed in the Shell research laboratories.

Called Shellgrip, it's a compound embedded with chippings that protrude through the film of water to make dry contact with the tyre.

The compound is a tough bitumen and epoxy resin. The chippings are granules of bauxite fired in a kiln to make them harder than any known natural roadstone.

Already more than 1800 sites in the London area have been treated with Shellgrip.

Saving at least two hundred and fifty lives.

And at the latest count, over forty other local authorities have laid the compound on their junctions and zebra crossing approaches.

You may well set foot on one of these zebras during your travels later today.

But just in case you find one that hasn't had the treatment, please tread warily.

In the wet, it's a bit of a beast.

**YOU CAN BE SURE OF SHELL**





## THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

## More competition in defence contracts

THE UNION of Independent Companies has received a "very positive response" from the Ministry of Defence officials to its proposals for making it easier for small businesses to win a greater share of Britain's annual \$8bn weapons procurement programme.

Bill Poeton, president of the UIC, led a delegation in April to Adam Butler, Minister for Defence Procurement, and Michael Grylls, chairman of the Conservative back bench Industry Committee, calling for prime contractors to make public information on the costs of components they buy from subcontractors.

Poeton presented a report suggesting that the MOD should adopt the U.S. practice of compelling contractors to put out components to competitive tender, rather than relying on favoured suppliers, and that the Ministry should press other European governments to do the same.

The report, commissioned by Butler and the Conservative Small Business Bureau, of which Grylls is chairman, was prepared by Poeton with a consultant from accountants PwC Marwick, Mitchell and an MOD official. It has now been passed to senior cabinet ministers. It is understood that Michael

Hoselting, the Defence Secretary, is impressed and that the Ministry is considering whether to run trials on selected contracts later this year.

The key to the argument, says Grylls, is that breaking out sub-contractors more widely could save money as well as give small businesses a greater slice of the action. He cites as evidence figures from the U.S. Small Business Administration, showing how one airforce base achieved savings of up to 80 per cent — though more commonly 40-50 per cent — by asking prime contractors to put out components to competitive tender.

Poeton adds: "Because of the concentration of purchasing in the hands of a few prime contractors, there is a danger that the European defence industry is pricing itself out of business." The MOD does not discriminate for or against small businesses in procurement, though 10 per cent by value of its directly placed contracts do go to companies employing up to 200 people. It does, however, insist on examining major suppliers' plans for putting out parts of their work for competitive bidding by sub-contractors.

W. D.

## A market-place for the entrepreneur

BUSINESS in the Community is examining ways of launching nationally a scheme to allow jobless youngsters to demonstrate their entrepreneurial ideas in public.

BIC, the umbrella group for Britain's more than 200 enterprise agencies, is one of the organisers of the recent work for Yourself Fair held in London's Covent Garden Piazza. The event, sponsored by Legal and General Assurance, attracted 98 small ventures, most of which were clients of a Project Fulfillment, the charity devoted to offering business training to young unemployed people in inner cities.

Greater London Council gave them a day's free use of the stalls in the Piazza, for which there is normally a four-year waiting list. The participants, some of whom travelled from as far afield as Birmingham and Newcastle-upon-Tyne included a colourful array of enterprises, even if some were of varying

quality. The more busy ventures ranged from a Caribbean caterer to retailers of sports-wear, cosmetics and designer furniture, providing exciting evidence that small business at the smallest level is alive and well.

For many, the opportunity brought a revealing independent test of their business ideas. R. M. Sports, for instance, a sportswear retailer which had been refused finance by several banks, ended up by taking more than £500. Less lucky was a Project Fulfillment, the charity devoted to offering business training to young unemployed people in inner cities. Most stallholders, however, came away with a profit, according to BIC's Kathy Ashton, who says that the response was so enthusiastic that BIC is now planning to circulate the idea to local enterprise agencies in all major cities.

W. D.

## Joint venture

## How to play the partnership game

BY WILLIAM DAWKINS



Michael Pym (left) of TI and Peter Smith of PPC: "There is no question that we are equal contributors."

licenses. However, the project is credible enough for Smith to have raised £1m last year from a consortium of institutional and private investors in return for 28 per cent of PPC's equity.

It is revealing that TI contributed nothing to PPC's fundraising, despite the increased control it might have won by purchasing a stake in the company. Pym believes that it is in both partners' best interests that PPC keeps its independent ownership. "Independence means that decisions at their end have to be pretty sharp because if they get it wrong, they are not going to live," he says.

Smith adds: "We are not for sale. In any case, the relationship is so close that there would be no point in TI buying PPC." As a mark of that closeness, Pym and Smith spend on average a day a week in each other's offices, while Smith's staff spend freely between their own headquarters and the TI laboratories in Saffron Walden.

Smith pays the same rate as TI subsidiaries for any marketing, patenting or technical advice he takes from the group, and the agreement allows for licensing income to be split equally between the three partners. Any conflicts between the partners are handled by John Spreadborough, a former director of Wilkinson Sword

who was originally hired as a consultant by TI but now, as an impartial arbiter, is paid by both of the industrial partners. PPC, meanwhile, has been careful not to allow the project to dominate its other activities making luminous displays for the defence, electronics and telecommunications industries and undertaking development contracts in phosphor display technology.

Only a small proportion of last year's £115,488 pre-tax profits was related to the TI project. If PPC is overdeveloped on any body, it is British Telecom, which uses the displays in its telephone exchanges and accounted for more than half of last year's sale of £1.38m.

Even so, 30 per cent of PPC's turnover goes into research and development, an unusually high proportion which at least partly reflects the costs of the joint venture. Smith freely admits that one of the reasons for last year's fund raising was to keep PPC's contribution to the project—£50,000 to £100,000 annually—in balance with that of TI. Pym will say no more than TI has committed "significant resources" to the venture.

PPC was originally set up by four research scientists at Thames Polytechnic as a part-time contract development group, working in a garage in South London. They turned it

into a full-time business 10 years ago on the strength of growing interest in their display technology from Ford, Smiths Industries and the MoD, among others.

Hamworthy industrial estate in Dorset was their chosen base because, maintaining Smith, it was the only site in the south of England at the time where they could rent a factory small enough—900 sq ft—to afford. The technology for PPC's latest display panel had its origins in a £12,000 contract for the MoD, which later allowed PPC to take the world licence in return for royalties.

TI approached PPC in 1977 to make a luminous display panel for washing machines, to which it added its own touch switch. The product—which used a fixed rather than changing display as in their present device—worked, but TI's market researches later indicated that housewives would rather stick to ordinary kinds of switches.

As a result, TI shelved the project until 1980, when it began to look for licences for products developed by its research laboratories but proved unsuitable for its own purposes. Spreadborough, who used to run Wilkinson Sword's research and development division, recruited a team to spread the licensing programme.

The agreement took more than a year to negotiate with the MoD, but by late 1982 the MoD was ready to start offering licences to 25 British companies which they identified as possibilities but none of which showed a glimmer of interest. Smith and Pym accordingly travelled more than 120,000 miles over the past two years. They were struck by the contrasting reactions they received from companies on different sides of the Atlantic. "In the UK, we tended to be seen by technical people at a lower level, who were non-decision makers, but in the U.S. there was no trouble going right to the top," says Pym.

Progress has been slow because potential licensees are only willing to use the TI-PPC technology if somebody else can be persuaded to make the panels in bulk—and that means setting up a plant for a product which has yet to be tested in the market.

PPC is clearly too small to take that risk, and TI is cautious about manufacturing outside its mainstream engineering activities, especially at a time when its troubled non-core businesses are taking up a disproportionate amount of management attention. Pym is giving nothing away on that front. He will only say: "We are studying the situation very carefully."

## In brief...

SMALL business managers who have run their companies by instinct but now want a more systematic approach are the target for a training programme starting next month at Middlesex Business School.

Action Learning for Managers, which runs from September 7 through to next March, is intended for executives from businesses employing up to 100 people. It will include 15 fortnightly three-hour sessions at the school in Hendon, with opportunities for participants to visit each other's companies so that they can learn from their shared experiences.

Business school staff will offer individual advice and conduct a half-day review of each participant's business at the end of the programme. The school says the course should enable managers to set up a plan to overcome hurdles to expansion and move systematically towards achieving their objectives while monitoring progress.

Applications for the £120 course should be sent to Consultancy Services Organisation, Middlesex Polytechnic, Research Centre, Boreham Green Road, London NW11 2NQ. Tel: 01-365 1299.

"CHOOSING the Right Computer" is the title of an afternoon seminar to be held at the London Chamber of Commerce and Industry (LCCI) on September 24.

The seminar, organised by the LCCI with 31 Consultants, will examine the approach that a purchaser should consider when buying a computer or word processor for business use and highlight some of the common pitfalls.

Tickets cost £46 for LCCI members, or £57.50 for non-members. Details from the LCCI at 69 Cannon Street, London EC4N 3AB. Telephone: 01-245 4444.

THE pros and cons of incorporating your business as a limited company are explained in a free booklet by chartered accountants Pannell Kerr Forster.

Entitled Incorporating a Business, the guide is available from Jonathan Hill, Pannell Kerr Forster, New Garden House, 78 Hutton Garden, London EC1N 3JA, telephone 01-831 7393.

THE first enterprise agency to specialise in helping Afro-

Caribbean businesses is to open next year with £250,000 backing from the Home Office, the London Borough of Lewisham and private sector sponsors.

Depth Business Enterprise Agency will offer advice, training, grants and loans chiefly to Afro-Caribbean businesses, though it will also be open to people of all races. Its private sponsors include National Westminster Bank, Citibank and Allied Lyons. The Home Office has promised to support the agency for two years, and additional sponsorship is to come from the Department of the Environment and the Department of Trade and Industry.

THE number of shops in Britain more than halved to 222,000 in the 10 years to 1982 as the big multiples grew even bigger—a depressing statistic for anybody thinking of setting up as a small retailer.

Nevertheless, there are still many profitable opportunities for small shopkeepers sharp enough to spot the right locations and sell products which their larger competitors ignore. "The secret lies in either location or specialisation and lots of hard work," advises Roger Cox, author of Running Your Own Shop, the latest book in the Kogan Page working for yourself series.

Cox, a former marketing manager for J. Sainsbury, offers practical information on matters such as raising capital, legal requirements, buying, stock management, selling, employing staff, accounts, pricing and marketing. Frequent checklists provide useful reference points, and an appendix includes lists of trade association addresses and average mark-ups by product.

Running Your Own Shop is available for £4.95 from Kogan Page, 120 Pentonville Road, London N1.

LEEDS Polytechnic is to hold a two-day course on September 16-17 to inform students and managers about the problems involved in running and starting a small business.

Entitled Insight into Entrepreneurship, the course costs £25 for students or £300 for managers and is sponsored by chartered accountants Spicer and Pegler. Details from Marilyn Robertson, senior lecturer, Leeds Polytechnic, 5 Queen Square, Leeds LS2 9AT. Tel: 0532 39726.

## Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

## BUILDERS MERCHANTS BUSINESSES WANTED

We are a substantial publicly quoted company in the building and property services industry operating throughout the UK and in many countries of the world. We are expanding our builders merchants division within the UK by acquisition and are keen to hear from any company with sales in excess of £3m per annum. Good profitability record is not essential and managements wishing to retire in due course or realise their investment will also be considered. Please write to Box F5923, Financial Times, 10 Cannon Street, London EC4A 3BT.

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or write Box F5921, Financial Times

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Principals only

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The assets of this fish processing company are offered for sale. Principal features:

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Peat, Marwick, Mitchell & Co.  
Unicentre  
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Preston PR1 1LQ  
Telephone: (0772) 50821

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For further information please contact:

Tim Hayward Esq.  
Peat, Marwick, Mitchell & Co.  
1 Puddle Dock  
Blackburn  
Lancashire BB4 4YD  
Telephone: 01-236 8000 Telex: 8811541

## PEAT MARWICK

## Axminster Carpet Manufacturer Blackpool

Offers are invited by the receiver for an Axminster carpet manufacturing business located in Blackpool. The facilities include four 12 ft. looms and one 3 ft. loom together with a latex backing plant. The business occupies 25,000 sq ft premises on long lease. Turnover last year was £1.3m with some 60 employees. Considerable scope for expansion.

Offers are also invited separately for the premises and plant of a spinning unit located at Fleetwood.

For further information contact:

Mr R G McInnes,  
12 Booth Street, Manchester M60 2ED  
Telephone: 061 236 9721

## Spicer and Pegler & Partners

## HAULAGE CONTRACTOR & IVECO DEALERSHIP

This well established Northamptonshire business is available for sale as a going concern. Turnover estimated at £2 million.

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For further information please contact the joint receivers Ipe Jacob and Nigel Montgomery  
Telephone: 01-236 0570. Telex: 928060 ALLCOM G

## ALLCOMBES ACCOUNTANTS AND LAWYERS

11 WELL COURT, LONDON EC4M 9DN.

## MICRO COMPUTERS and DATA TERMINALS

A long-established computer engineering company wishes to sell all or a majority shareholding in its service/maintenance organisation. The division maintains micro-computers, peripheral and data terminals, on an on-call basis, throughout England and Southern Scotland and has a central organisation located in the City of London. Income has grown steadily and has now reached a very profitable level p.a.

The organisation would be particularly attractive to distributors/importers of electronic capital equipment.

Please write to: Managing Director, Box H0115  
Financial Times, 10 Cannon Street, London EC4A 3DF

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This division manufactures electronic based products and assemblies for the group and for other major electronics companies. The division has good Q.A. certification (MOD 624) and has produced products such as micro-computers, data terminals, torpedo simulators and test equipment. All or a part shareholding is offered to an organisation who need products produced. The division is capable of producing products to around £1m-£2m p.a. It is based in southern Hampshire.

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Company with 10 years experience in the distribution of electronic capital equipment. The company has a strong reputation for quality and reliability. Turnover £1.5 million. Write Box H0128, Financial Times  
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## Company Notices

### GESTETNER HOLDINGS PLC

On 18th July 1985, the directors declared an interim dividend payable on 11th September 1985 in respect of the financial period ending 2nd November 1985 of 0.5p per share on the Ordinary shares and 0.07p per share on Ordinary Capital shares registered at the close of business on 9th August 1985.

In addition, holders of Ordinary Capital shares are reminded of their entitlement to scrip in accordance with the formula set out in the Company's Articles of Association. Such entitlement, based upon each Ordinary Capital share held at 9th August 1985, is set out below:

Based on the average price of	Ordinary Capital shares
For each share held, holders will receive	108.5862p
	0.005657 of a share

Fractions of new shares will be sold for the benefit of the Company.

Scrip will be allotted on 23rd August 1985 and despatched to registered shareholders on 20th September 1985. Holders of bearer shares should lodge coupon 121 with Barclays Bank PLC (Securities Services Department) 54 Lombard Street, London EC3P 3AH. Ordinary shareholders should lodge three clear days before 11th September 1985 for dividend. Ordinary capital shareholders should lodge (with all relevant instructions) on or after 11th September 1985 for dividend and new Ordinary Capital shares.

R. L. E. LEWIS  
Secretary

London N17 9LT  
21st August 1985

### SAVE & PROSPER FAR EASTERN FUND S.A.

Shareholders are hereby informed that:

1. The Directors are pleased to announce that the 14th Subordinated Debentures of the Fund, designated "14% SUBORDINATED DEBENTURES DUE MAY 1, 1985"

NOTICE IS HEREBY GIVEN that the 14th Subordinated Debentures of the Fund, designated "14% SUBORDINATED DEBENTURES DUE MAY 1, 1985"

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## RESEARCH IN SPACE

## Post-war impact of Germany's V2 pioneers

By Peter Marsh and David Marsh



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**IBJ**

THIS summer marks not only the 40th anniversary of the Second World War, but also of breaking-up of the remarkable team of engineers which developed the world's first space vehicle, the German V2 rocket. The events of 1945 marked a significant stepping stone in mankind's race into space.

Germany's rocket team, based at Peenemünde on the Baltic coast, developed the V2 as a weapon to carry 1 tonne of high explosive on a course into the earth's atmosphere and down, without warning, on to a target several hundred miles away.

A total of 2,500 V2s were launched from September 1944 to May 1945, when Peenemünde was overrun by the Russian Army. About 1,200 of the devices were directed at Antwerp, where V1s and V2s killed nearly 4,500, and 517 V2s landed on London, killing 2,500 people.

After hostilities ended, the team's leading members continued their research in the U.S., the Soviet Union and other European countries. They had the most impact in the U.S., where the German émigrés formed the nucleus of the U.S. Army's rocket teams and (when it was formed in 1958) of the National Aeronautics and Space Administration.

Today, Peenemünde's engineers are only a small, thinly-scattered group living in various parts of the world but the contribution of individuals from the V2 programme to space science has been enormous.

They have played a vital role in developing the vehicles that took people to the moon, satellites for tasks such as communications and scientific experiments, and nuclear missiles that over the past four decades have changed radically strategies for fighting wars.

They have also made an important impact in a range of more diverse technologies, such as navigation systems for ships and other vehicles, work on robots for difficult or hazardous jobs and the development of magnetic bearings for gas pipelines and nuclear power stations.

The most famous of the Peenemünde workers was the base's second-in-command, Werner von Braun, who went on to become chief rocket designer for the U.S. National Aeronautics and Space Administration after it was formed in 1958.

"The overall effect of work in space has been greatly to benefit the world," says Rudi Beichel, now 71, an ex-V2 engi-

neer who lives in semi-retirement in Sacramento, California. "Think of the research in space. How could you imagine weather forecasting or telecommunications without satellites? Soon we won't have to travel any more to talk to each other because of advances in telecommunications. Can you imagine how life today would stand up without rockets?"

Georg von Tiesenhausen, also 71, is the last Peenemünde German still to be working for Nasa. He is assistant director for advanced systems at the agency's Marshall Space Flight Center in Huntsville, Alabama.

For von Tiesenhausen, who in the past few years has mapped out Nasa's policy on using robots rather than people for the international space station planned for the 1990s, events over the past 40 years, far from moving too quickly, have taken place too slowly.

"The pace of change has been getting faster, it's true — but it's not fast enough for all the things we want to do," he says. Von Tiesenhausen has published blueprints for self-replicating robots that would operate factories on the moon.

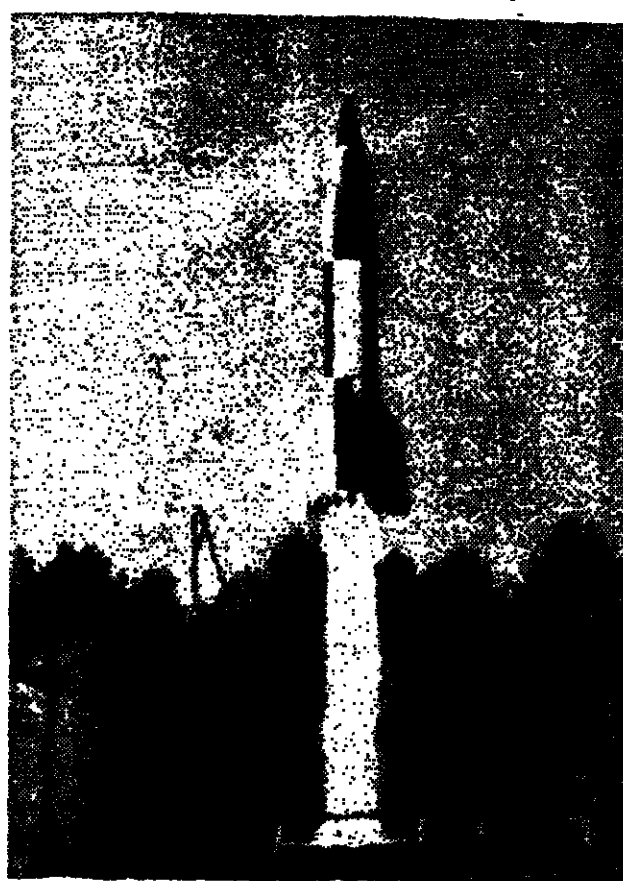
One trend that worries him is the increasing military applications in space. He is a critic of the U.S. Star Wars programme, which seeks to devise the basis of a defensive system in space against Soviet nuclear missiles.

"I'm biased against anything military. I think the Star Wars project is a big mistake. Space was always heralded as a place we could keep for peaceful uses. Now we're contaminating it."

Von Tiesenhausen would like to see another joint U.S.-Soviet manned space mission—the last (and only) such mission was in 1975, before the breakdown of détente. "A link-up between the space shuttle and Salyut (the Soviet space station) would be desirable from both a political and technical point of view."

A third member of the Peenemünde team is 68-year-old Helmut Habermann, a Czech-educated naturalised Frenchman with a taste in pearl tiepins, who is scientific adviser to Société Mécanique Magnétique (S2M), a company in Vernon, near Paris.

Habermann is one of roughly 50 members of the German rocket team who emigrated to France after the war. He started work in 1946 at France's ballistic and aerodynamic research laboratory (LERBA) in



The V2, leaving the launch pad during a British-controlled firing from Cuxhaven, Germany in October 1945

Vernon, which later became the test site for the motors built by S2M's parent company, Société Européenne de Propulsion (SEP), for France's nuclear tipped ballistic missiles and for the Ariane satellite launcher.

The rocket pioneer's experience with the gyroscopes and servomotors needed to steer the V2 led to developments in inertial guidance systems for navigation and control of the world's armoured submarines, aircraft and ballistic missiles.

In the 1960s, Habermann went on to work on non-friction magnetic bearings which can rotate at 800,000 revs/minute — three times faster than conventional ball or roller bearings. The magnetic devices are already in use in high-speed milling machines making aircraft parts and in vacuum pumps, X-ray tubes and compressors.

The bearings are also to feature in the turbines of French and German nuclear plants now under construction.

S2M is to make the technology available to Rockwell of the U.S. for incorporation into the engines of future space vehicles. It has other joint ventures in the bearings with Kollmorgen of the U.S. and Seiko of Japan.

S2M, which was set up in 1976, has spent about FFr 35m developing the bearings and rockers it has a five-year lead over rival companies such as Toshiba and Hitachi of Japan.

Looking back, Habermann says: "As a weapon, the V2 was not all that interesting. It represented an enormous effort and a lot of money to transport one tonne of explosive for 300 km. At the time of its development, Allied aircraft were raining down thousands of tonnes of bombs in single raids on German cities."

Werner von Braun, the guiding light of the German rocket team, "was thinking more of going to the moon than making weapons, according to Habermann."

Von Braun and other Peenemünde engineers were captured

by U.S. troops in Garmisch-Partenkirchen in Bavaria, where they had fled to escape the advancing Red Army.

In September 1945, in Operation Paperclip, the U.S. shipped across the Atlantic about 500 German rocket experts, including Rudi Beichel. They ended up at the White Sands proving ground in New Mexico where they began work to use V2 technology to create new generations of missiles.

Beichel left von Braun's team in 1956 to work for Aerojet, the Californian rocket company. In aerospace circles today he is known as the "father of the high-pressure rocket engine".

Habermann, meanwhile, took a different route. He worked for a spell in October 1945 for the British Army. In a bizarre exercise known as Operation Backfire, Habermann and other German technicians fired left-over V2 rockets from Cuxhaven in North Germany to show UK military experts how the devices worked.

Later, 20 Peenemünde engineers went to work in Britain for the government, but the research petered out through lack of funds.

As for von Tiesenhausen, he stayed in Germany immediately after the war and took jobs in teaching and driving trucks. He went to work for von Braun in the U.S. in 1955.

Of the other rocket engineers employed at Peenemünde, 2,000 fell into Soviet hands after the research base was captured. They were taken to Russian rocket establishments but, probably because, unlike the U.S., the Soviet Union already had substantial expertise in rocketry—played a relatively minor part in Soviet space and missile developments after the war.

The V2 development was an enormous undertaking. Together with Germany's other V weapon, the V1 unmanned aeroplane ("V" stood for Vergeltung or vengeance), the programme cost Germany about \$25bn in today's prices — a similar sum to the cash earmarked for the U.S. Star Wars research project. At its peak, the Peenemünde base employed about 6,000 people.

"We were living on an island, completely cut off," Habermann recalls. "For us engineers, it was fascinating. He says he was not aware of Hitler's demands to speed up deployment of the rockets in the later stages of the war, nor of the possibility (if the com-

dict and German research had gone on long enough) that the missiles could have carried nuclear bombs."

"Everything we wanted for the project we had to develop for ourselves from scratch," says Beichel. "In technical terms, it was a marvellous effort."

Von Tiesenhausen worked at Peenemünde mainly on static test facilities. Towards the end of the war, he was assigned to design submarine launch platforms from which the V2 would have been fired off the U.S. coast, aimed at New York.

The war ended too soon for these ideas to reach fruition. Later, other engineers turned them into submarine launching systems for missiles such as Polaris and Trident.

The most important hardware to come out of the German rocket programme after the war was the stock of 100 V2 rockets that, as part of Operation Paperclip, the U.S. transported to New Mexico.

Between 1946 and 1952, the German émigrés launched 64 vehicles based on the V2, mainly for scientific experiments. These adapted rockets were more powerful than the original V2s and commonly reached heights of 180 km, above the limits of the atmosphere.

In February 1949 came a milestone. The world's first two-stage rocket (one based on two sets of engines and rocket fuels, burning in succession) was fired 400 km into the heavens, higher than any other man-made object.

This rocket was the precursor to all later U.S. space vehicles, including the Saturn 5 that took 12 Americans to the moon and today's fleet of Space Shuttles.

One recollection from Habermann sheds light on just how near Germany came to changing history with its V2 weapons. Had Germany managed to build and launch anything like the 50 to 60 rockets a day originally planned, the Second World War might have ended differently.

One reason why these numbers were never achieved, he says, was the vast quantities of potatoes needed for conversion into alcohol which (with liquid oxygen) provided the V2's propellant.

With 4 tonnes of alcohol needed for each rocket, every flight used the equivalent of a day's staple diet for a small German town. When it came to an argument between food and rockets, it was food which won.

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## Themes and individuals

My rough tally of the exhibitions I have seen in and around the Edinburgh Festival this year runs to something over 30 and is by no means exhaustive. Last week I dealt with the principal exhibitions upon the theme of France and the Auld Alliance, and so now for the rest, and a very mixed bag it is.

S. J. Peplow at the Scottish National Gallery of Modern Art is an important exhibition, a full retrospective study of an artist whose reputation has survived well enough in the 50 years since his death but who is still qualified to his disadvantage by critical emphasis upon his membership (with Ferguson, Hunter and Cadell) of the little group of Scottish Colourists. On this evidence, though it is a little over-copious and unbalanced in its presentation, he clearly deserves better than that—and, perhaps, so do they all.

Possessed of an extraordinary natural gift that matured early, and intelligently aware of the contemporary progress of French painting, post-Cézanne and Fauve developments especially, Peplow addressed himself in the years after 1910 to those current preoccupations with colour not as surface but as form itself. In the work of his middle and later years his palette lightened and brightened, and the paint grew more clothed and static, and the drawing simpler and more schematic.

It also grew duller, safer and more predictable, and it is the only fault of this exhibition that it, too, does go on rather labouring the point. That said, the sin is of degree and does nothing to lessen the exhilaration we feel before the work of the younger man, fresh from the schools of Edinburgh and Paris in the middle 1890s. His conscious admiration of the speed and flair of Hals, the glamour and opulence of Sargent, the simplicity of Manet and the radical adventure of Matisse is evident enough, but he makes of it all something quite his own. His Mrs Peplow of 1906 is only one of several major portraits that give way to no one, and a small drawing on the landing of 1908, another head and shoulders of a woman, her face in shadow, is one of the loveliest things on show in Edinburgh (until September 8).

The *Tribute to Wilkie*, that earlier hero of Scottish painting, at the Scottish National Gallery has been treated

already on this page. Wilkie is without question a major figure of the early 19th century but critically underrated and thus neglected for far too long, dismissed by the revision of taste away from anecdote and incident in painting, and a general British distrust of conspicuous skill. Here (until October 13) we see him true in his proper context, heir to the Hogarthian tradition of genre and history painting. But the important thing, given the opportunity to make the comparison with so many of those he influenced and directed, is to see just how good he was: the sentiment always mediated by clear observation and fresh, easy handling. There is a disinterested quality to his vision which confers a kind of grandeur to the work, though the statement is often small and the image mundane.

There is much Scottish art about, and nowhere more so than at the Fine Art Society with three distinct exhibitions, and all its stock besides. Of the three Victorian artists, Joseph Crawhall is the most substantial and there are as many of his virtuous watercolours of animal and sporting subjects as can have been seen together for many years. There are moments in his work when his mark-making, in his description of a cocker's tail for example, for all its apparent exactness, takes on an oriental quality of calligraphic abstraction and finality, which is quite astonishing.

The work of Edwin Alexander is remarkable in its own way, for his grasses, wild flowers and spider webs are minutely observed and realised and yet stated with a speed and freshness that is clear of any obsessive detail. Downstairs are the sketches and family correspondence of Alexander Mann, and a group of his life drawings that take us right back to the mid-Victorian academy (until August 31).

And there is of course a mass of work by living artists, Scottish, English and international. Elizabeth Blackadder shows a body of her large new watercolours of flowers and still life subjects; I consider her one of the best painters working in this medium, with which she has been preoccupied for the past few years, grows ever more particular and consummate. Yet her work is always full of surprises, for she has the true artist's nerve to trust the medium itself, in the intuitive

touch she makes upon the surface, and the flow of pigment across the paper, to lead her on to achieve the image she herself has proposed, but in its own new way. These are lovely and spectacular works (until September 7).

The contrast with Peter Joseph at the Graeme Murray Gallery could hardly be more extreme, or so it would appear. Yet his minimalist canvases—one plain rectangle set upon another, darker ground and nothing more—are informed in fact by a subtle physical working of the surface that brings the two artists curiously close together: a quality of light and shadow infinitely varied and modulated, though we must look long and hard to catch it. Joseph's paintings prey upon the pictorial imagination in the most gently teasing way, generating and then contradicting space, and light, and form. They are objects of contemplation, insidiously beautiful things that more than repay long, close attention.

James Cumming is at the Scottish Gallery with a substantial body of paintings (until September 4). It is intriguing and frustrating to see the quality of surface is so immaculate, and therefore so controlled and certain, that it forms a kind of skin, warding off surprise and risk. And yet they are beautiful things, rich and dense in their imagery and reference masks and clowns, puppets and mummies, and calling up now Nicholson, now Gogh, now Klee.

He shares the gallery with Norman Ackroyd whose landscape etchings are as free in the technical risks they take as they are beautiful, atmospheric and redolent of place and time and weather, gentle but often the plates are worked directly with the acid, or bitten in the boot of Ackroyd's car, fleeing, immediate images and foursquare in the Romantic English landscape tradition. He is as good a printmaker as any, anywhere.

Of the international shows, the most important and exciting is of the work of living artists, Norman Ackroyd whose landscape etchings are as free in the technical risks they take as they are beautiful, atmospheric and redolent of place and time and weather, gentle but often the plates are worked directly with the acid, or bitten in the boot of Ackroyd's car, fleeing, immediate images and foursquare in the Romantic English landscape tradition. He is as good a printmaker as any, anywhere.

large compositional machines, fraught with political allegory and occasional Balzacian sexual innuendo, are fascinating and impressive; the smaller, newer serial and composite paintings upstairs, with their more open, varied and experimental essays in style and content, are more fascinating still. And by them it becomes clearer that it is neither politics nor polemic that is at the true heart of the work, but the more personal and intimate psychology of sexuality and fantasy, borne along on images of violation and abuse, masculine anxiety and self-doubt.

Richard Demarco, with four Polish artists at his gallery in Jeffrey Street, supplies a further international dimension with a young painter, Leon Tarski, especially impressive with three large, vigorously simple paintings of tree and snowscapes; and the books of Andrzej Szewczyk opaquely beautiful, beatifically beautiful. Demarco also shows Scottish artists in the lobby of the Carlton Hotel, notably Stephen Lawson with his sequential panoramic photographs that curiously contrive an acceptable image of the passage of time; and in unit 10 of the new Waverley Market he shows another mélange that includes his own topographical watercolours, Pat Douhaite's fierce Expressionist heads, and the work of Douglas Swan.

And there are all the mixed shows: Edinburgh-Dublin at the Edinburgh College of Art that explores the capital axis and cultural intercourse as it has gone on this century past—the arts and crafts movement, architecture, painting and sculpture now, with a history of the Edinburgh Tapestry Company of the Dovecot Studios into the bargain. There is Andrew Brown showing off his stable of young Scottish Expressionists at the 388, but showing off rather more his amazing new premises and cultural complex in the Cowgate which is to unfold its virtues over the coming year. The Talbot Rice Gallery has a show on *Themes on Landscape in Contemporary Scottish Art* (until September 14), with Barbara Rae's oil-painted canvases that with the best in the Scottish National Trust last year. The collections were largely the creation of Alexander Forbes-Leith, the millionaire industrialist who bought the castle in 1889, and are especially strong in Romney and Barneby, of which the painting of the enchanting Mrs Gregory in Whistlerian grey and white and blue is outstanding.

The City Art Gallery has three exhibitions (until September 21) that each deserve a fuller treatment than is possible here: *American Drawings* from Benjamin West to the present day (from the Carnegie Institute in



"Sketch of a Woman" (1908) by S. J. Peplow

Pittsburgh); a most extraordinary exhibition of pre-Columbian ceramics from Costa Rica in the Sackler Collection; and *A Breath of French Air*, works from the City's own collections that evince the influence of France upon Scottish painters since the 18th century. And there is *Symbols of Power At The Time of Stonehenge*, a dense, fascinating and at times ravishing installation and display of bronze and gold and stone and clay at the National Museum of Antiquities of Scotland (until October 13).

*Treasures of Fyvie* at the Scottish National Portrait Gallery is perhaps the most delightful of all these mixed shows, a celebration of the contents of Fyvie Castle that with the best in the Scottish National Trust last year. The collections were largely the creation of Alexander Forbes-Leith, the millionaire industrialist who bought the castle in 1889, and are especially strong in Romney and Barneby, of which the painting of the enchanting Mrs Gregory in Whistlerian grey and white and blue is outstanding.

But more dramatic are the great full-length Hopper of Lord Nelson, at once grand and psychologically most intimately observed; and the ebulliently theatrical Batoni of 1786 of Colonel Gordon, resplendent in his kilt flaunted for all the world as proudly as any Roman toga. He is as good as any to leave in the mind as the very image of the visual Edinburgh Festival of 1985.

## "Saint Joan" and "The Tempest" to tour

Jane Lapointe, Anthony Quayle, Tony Britton and Clive Francis will star in Compass Theatre's UK autumn tour of *Saint Joan* and *The Tempest*. *Saint Joan* will open in York on September 9, and *The Tempest* at Bath on October 1.

Other towns visited are Brighton, Newcastle, Plymouth, Bournemouth, Wolverhampton, Leeds, Glasgow and Aberdeen. The productions will also be going to the Hong Kong Festival from January 27 to February 8.

They opened with Nicholas Maw's *Spring Music* in its new, shorter version of 1984: in the composer's words, "a full opening time for a concert, full of 'tunes people could leave the hall whistling'. It is a half-hourly written, nostalgic excursion through Brahmsian, Delian, Brittenish and Bartokian territories: a remarkably successful synthesis which, though it sets up a great number of sympathetic resonances, never is, and more important, never sounds like, pastiche. In particular, Maw avoids with great success, if not in absolutely every instance, that bristly jolly orchestral joggling which in English tonal music is the orchestral stereotype for 'fun'. Splendid performance too.

Britten's *Divisions* for piano left-hand and orchestra (written for the one-handed pianist Paul Wittgenstein for whom Ravel wrote his left-hand concerto) are an exuberant compendium of keyboard techniques in a dizzy variety of styles. The Irish pianist Philip Martin was the accomplished soloist; the orchestra rose to every one of its individual challenges with wit and evident pleasure. If having whistleable tunes really were a necessary criterion of excellence (which it isn't) then *Divisions* has more of them on every page than *Spring Music* (except for truly dedicated whistlers) has in all its 11 minutes.

A greatly reinforced youth-orchestra body returned to occupy every square foot of the Albert Hall's platform after the interval for Shostakovich's fourth symphony. It was a brave and brilliant performance, suffused with energy; the huge first movement powerfully driven, the finale's dark burlesque exceptionally firm and sure.

New York City Opera (NY State Theatre): Norma, season's first new production, is directed by André Serban and conducted by Richard Bonynge, with Olivia Stapp in the title role and Robert Grayson as Pollux. I Puritani, last seen in 1982, has Faye Robinson singing Elvira, conducted by Edoardo Guller. The week also includes *The Mikado* and *Manon*. Lincoln Center (870 5588).

CHICAGO

Ravinia Festival Highland Park: The San Francisco Ballet, America's oldest company, performs a week of mixed programmes from their varied repertoire as part of a special Festival of American Dance. Highland Park (726 4842).

## Baroque bill/Lyceum, Edinburgh

Rodney Milnes

It was something of a coup for the Edinburgh Festival to secure the first UK appearance of William Christie's Les Arts Florissans, the Paris-based Baroque troupe that has built up a formidable reputation, hitherto based here on a series of widely admired gramophone recordings in its mere six years of existence. If Sunday's double bill of Marc-Antoine Charpentier's *Actéon* (c 1685) and Rameau's *Anacréon* (1758) at the Royal Lyceum Theatre was a slight disappointment, doubtless the "technical difficulties" that delayed the curtain-rising by 30 minutes had something to do with it—though not everything—to do with it.

"Authentic" performances must also strive to avoid any suggestions of the bogus in addition to those already built-in (for a start, why are they not being given by candlelight?). Here Mr Christie has the orchestra appear in the pit—deeply unauthentic in itself—in period costume, and the curtain then rose for the Rameau on a Hogarthian scene of convivial merriment that in 1758 would have had the theatre closed down within five minutes. In both works the conflict between musical authenticity and visual freedom raised the sort of unanswerable problems that call the whole authentic movement into question.

Although it is plainly impossible to supply audiences with special Baroque ears, this particular pair has worn out the fact that instrumental sound is going to be ill-tuned by today's standards. But does this really have to extend to the singers as well? With one exception the soloists were distinctly below par not only in this respect but in those of declamation—the *sine qua non* of French vocal art—and phrasing.

Here, at last, there was some decent singing. Dominique Visse was described in the programme as a counter-tenor, but he is surely a wholly authentic *haute-contre*. His individual, grainy tone, very evenly placed and with no discernible break, inhabits a different sound-world from that of the falsettos which sail this side of the channel. Not only is the sound attractive, but M Visse phrases with clarity and distinction, and his performance of the title-role raised proceedings to an altogether higher level of accomplishment. Despite this, and the persuasive playing of a lovely score, doubts about the whole enterprise refused to go away.

when festival-goers' thoughts are turning to griddle-cakes and bannocks; a shame, since his specialising delivery and difficult diction almost as he accompanies him for rewarding listening. Elster settings of Brecht, plus such scene-setters as "Brother, can you spare a dime?" and his own translation of "Fallen in love again" make up the first half. I was more taken by Kozma's settings of Prevert, perhaps because of their unfamiliarity, again rendered in both the original and Mr Bentley's English, notably a song for Arletty in *Les Enfants du Paradis* but never used. Updated and Americanised, the tart changes sex into "The queen of 42nd Street": "My lips are much too red, my lips are much too new. This is what I want, what I want, what I want to you." Mr Bentley ends with some of his own songs, including the fine Brecht-inspired "The Uncommitted" and a sort of love song, "Whatever the hell that means, I love you." 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British Rail  
on the spot

THERE IS no question that British Rail should become more efficient and more productive. Improvements in the productivity of the railway of which the disputed introduction of driver only operated trains is only one—should come in, and the sooner the better.

British Rail will save only an estimated £27m annually at the end of five years from this innovation. But it sees it, probably rightly, as of great symbolic and practical value in securing the principle that change must take place at a faster rate than the small pace which its present consultative procedures have so far allowed.

To say that does not, of course, go very far: it does not answer the increasingly urgent questions on how far the Government wishes to support the rail network, how far it recognises that the costs of road transport are less easily expressed than those of rail are in the BR accounts, and how far its sympathies with the considerable environmental problems which would be experienced by growing numbers of people in both industrial and rural areas the more freight moved from rail to road.

These issues require a more detailed exposition than they have yet received: but they do not detract from the point that BR must and should become more productive.

## Ballot

Even within these restricted parameters, however, matters are not as simple as that. For in introducing trains modified for driver only operations, BR has had to move outside the procedure agreement it signed with the unions, claiming that the process has been exhausted and (with doubtful authority) that the principle has been accepted by the unions to run one man trains on the Bedford-St Pancras line.

Mr Jimmy Knapp, the NUR general secretary, has learned his lesson from the miners' strike, and is unlikely to lead industrial action which does not have the full-throated support of the 11,000 guard members as expressed in a ballot. The NUR may cause a good deal more disruption much more quickly than the miners were able to do: but the likelihood is that it will be likely to deny the Government and the BR the high moral ground which the former was able to occupy from March 1984 to March 1985.

The issue of procedural agreements raises the question of whether they should be accorded legal status. This has

traditionally been put forward by employers as a way of restraining anarchic union behaviour: it is now being looked at by unions as a way of holding back managements.

Perhaps the best argument for its serious consideration is that which admits that the law is now irrevocably a major factor in the British industrial relations scene, and that legally binding agreements might foster a disciplined approach from both sides from the outset.

The balloting ushered in by the 1984 Trade Union Act is changing much on the industrial relations map, but it would be wholly wrong to assume that it merely gives the "silent majority" an opportunity to rein back its militant leaders.

## Consequences

No need to say times have changed: but how does the Government and BR handle a strike which has obeyed all of its rules? Mr Knapp may get democracy on his side (there is much dissatisfaction among railway workers over their industry, and that will influence their voting choices) and he already is making much play of the safety issue when worries over vandalism are high.

It is becoming clear that ballots in unions are having the unpredictable consequences which any extension of democracy can be presumed to have. They will place very large pressure on such corporations as BR to take a high public profile in order to gain public support. One can readily anticipate that governments will place a higher premium on PR skills among public sector chairmen than hitherto.

Further, it is not possible to determine what any ballot is "about." Any ballot in the public sector will be partly concerned with how the Government is viewed at the time, making their outcome highly volatile. Democracy may remain the least worst system for running things, but it is not one which has yet come to terms with it in industrial relations.

What is special about the current dispute is that a public sector employer is up against a union which seems determined to fight by the Queensbury rules.

The narrow path  
of regulation

DEREGULATION leads, it would seem, to more regulation. This paradox is most visible in the City of London and in the U.S. and British telecommunications industries. The precise form of deregulation in each case varies, but the underlying philosophy is similar: that efficiency is more likely to be promoted by giving free play to market forces than by erecting often artificial controls and barriers.

Yet in all three cases, deregulation is turning out to be something of a field day for regulators. In the City, it has been deemed necessary to establish a watchdog authority to supervise the financial services industry, just as Ofel was created by the Government last year to watch over telecommunications.

## Lobbying

In the U.S., the partial dismantling of long-established regulatory controls in telecommunications has not noticeably freed regulators in Washington to spend more time on the golf course. Indeed, almost every major decision taken by the Federal Communications Commission in the name of deregulation excites frenzied lobbying from rival groups seeking to have the rules re-drawn in a different way.

The reasons for the paradox are closely related to conditions in these particular markets. In telecommunications, while deregulation may have created the opportunity for freer competition, it will only succeed if there is also fair competition. Perhaps inevitably, in an industry where monopoly policies have long prevailed, some competitors start out more equal than others.

Though American Telephone and Telegraph has been stripped of its local telephone companies, it still accounts for more than three-quarters of long distance traffic, where its smaller rivals complain that its size and resources give it special advantages. In the UK, though some new suppliers have begun to emerge, British Telecom's de facto monopoly—and hence its power to set the terms on

which others compete—remains largely intact.

The regulators therefore have a crucial role to play. They must ensure that the market is open to allow new entrants to flourish, but without shattering the dominant suppliers so tightly that their commercial performance is severely damaged. Experience has shown that this is not always an easy balance to strike.

In the financial markets, dominance is much less of an issue. Here, the regulators' prime task is to protect investors by ensuring that wider freedom of choice does not lead to abuses by dishonest or inept operators. Given the markets' growing complexity and sophistication, there are strong practical grounds for requiring more than a simple government health warning to safeguard investors' interests.

## Barrier

However, it also remains true that even the most enlightened regulatory system cannot act as a substitute for real competition. This is a point to which the British Government has not always paid sufficient attention when privatising state-owned companies.

The problem is highlighted by the Government's plans to privatise British Gas. Given that the cost of duplicating British Gas investments in its distribution system poses a formidable barrier to new market entrants, the organisation seems likely to remain largely immune to direct competitive pressures for the foreseeable future.

In these circumstances, devising and enforcing effective regulation poses a difficult challenge. If the regulatory authority is given too little power, it risks being ignored or captured by the organisation it is supposed to be controlling. But if its powers are too extensive, there is a danger that it may usurp legitimate management prerogatives. Neither outcome would be consistent with the Government's professed commitment to enlarging the role of market forces.

ON MAY 26 this year a team of Chinese and Japanese climbers reached the summit of one of the world's few unconquered peaks, Mount Naimeon Nyl in Tibet. Standing 23,186 feet above sea level, the mountaineers planted their respective national flags and celebrated the success of a peculiarly symbolic joint venture.

The two countries, separated according to Chinese proverb only by a stream of water, have long been intrigued by the thought of harnessing China's natural resources and cheap labour to Japan's capital and technology. Each, in theory, can provide what the other lacks. In this instance, China supplied the mountain and the sherpas; Japan came up with the money and the climbing boots.

The joint achievement in mountaineering is, to judge from appearances, already being mirrored by progress in trade and investment. Almost 250 Japanese companies have representative offices in Peking, where they outnumber their British counterparts by roughly 10 to one, and any Japanese organisation with international pretensions will be delighted to discuss its blueprint for China.

Advertisements for Hitachi television stores down from the billboards in Peking and department stores display a host of Japanese consumer goods in their windows. The Great Wall 5025 personal computer is a favourite. In Tokyo, enthusiasm for doing business with China knows few limits.

The initial interest which greeted the introduction of China's open-door policies in 1978 was tempered two years later by the realisation of capital goods projects and a recognition that the country had set itself unrealistic development targets. But, in the past year, the doubts have largely been set aside. Japan is once again in the grip of China fever.

The symptoms are most pronounced among industrial planners, who see China as a limitless and almost untapped market for Japanese manufactured products. Just as the UK textile industry dreamt a century ago of selling a single cotton shirt to every Chinese adult, the Japanese electronics industry dreams of placing a single colour television set in every Chinese household.

That ambition is not, on paper, as fanciful as it might seem. China aims to increase per capita GNP from the present level of around \$300 to \$800 or more by the end of the century. On present trends the growth in consumer spending power could provide a market for

roughly 10m television sets a year over the next 40 years, by which time the market should have reached saturation. In 1984, total Japanese television output amounted to 15m units of which half were exported. The dramatic growth in Sino-Japanese trade has given these projections a plausibility which five years ago was entirely lacking. China is already Japan's largest single export market for colour televisions and the second largest for refrigerators. In 1984, China overtook the U.S. as the biggest purchaser—in volume terms—of Japanese steel. In the first half of this year it became the second largest market for the Japanese motor industry.

Comparisons with the U.S. are for the Japanese very much to the point: much more than the Japanese, China's readiness to import manufactured goods has contrasted starkly over the past two years with the protectionist positions being adopted in North America and Western Europe. China, so the argument runs, is Japan's insurance policy against tariff barriers in the West.

China's imports rose last year by 28 per cent to \$25.5bn, with Japan contributing more than its fair share of the growth. Japanese exports to the country increased by almost 50 per cent last year, were much the largest item on China's import bill.

Doing business with China is a serious matter. Mr Masanori Kato, chairman of Nomura Securities, Japan's largest securities firm and arguably its most powerful financial institution, devotes all his time to China. It would be difficult to imagine the vice-chairman of Merrill Lynch or Barclays Bank giving his attention so exclusively to a country which five years ago was scarcely on the financial map.

Mr Kato is an unashamed optimist and, like many of his compatriots, sees a special relationship between Japan and China. He perceives a symmetry between Japan's earlier education in culture and religion, and China's present training in commerce and technology. Five hundred years ago, tens of thousands of Japanese traders were dispatched to China to learn about art and religion. Now, Mr Kato believes, Japan is largely being sent to China to learn about commerce and technology. The special relationship is, if not in jeopardy, at least in doubt.

Trade between the two countries has grown on a surprising narrow base. Last year metal products accounted for 39 per cent of Japanese exports to China, electrical goods 14 per cent, chemicals a further 9 per cent. The flow of trade in the other direction was even more concentrated. Mineral products—mostly petroleum—textiles and foodstuffs made up 84 per cent of Chinese exports to Japan in 1984.

Over the past six months a sharp run-down in China's foreign exchange reserves has obliged Peking to cut imports. As recently as last October, China's reserves totalled a comfortable \$17bn. Peking is more than a little coy about providing current statistics but

Mr Kato also sees close parallels between Japan's post-war economic development and China's modernisation drive. China, he argues, is now passing through a development phase similar to that which Japan experienced in the 1950s. It has an urgent need to modernise production facilities and is coping with transition problems created by rapid economic growth.

Yet the partnership which Mr Kato envisages is still very far from being realised. While Japan has displayed an unsurprising willingness to trade with China, it has held back from commitments of capital and technology. To pursue the mountaineering analogy, the Japanese have been happy

to sell the climbing boots but not to scale the peak themselves, or for that matter to teach the Chinese to make the boots.

"Japanese industry is now approaching a watershed in its relations with China. Peking is showing an ever greater deficit on foreign trade with Tokyo while official emphasis is being placed on the provision of long term capital and technology which Japan is reluctant to commit. The special relationship is, if not in jeopardy, at least in doubt."

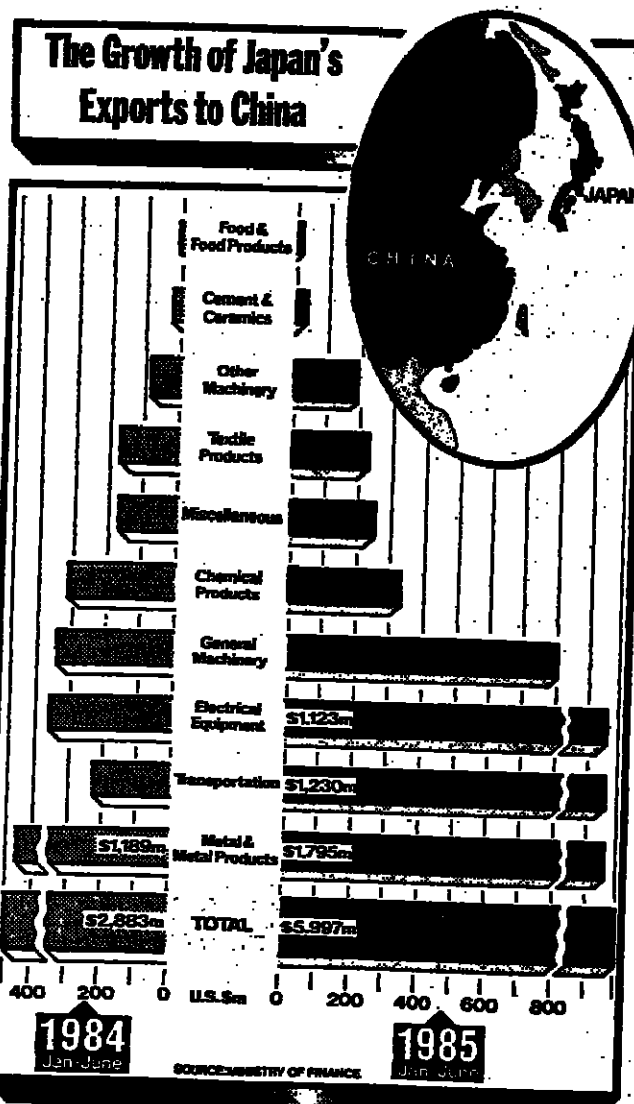
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## TRADE WITH CHINA

## Japan scales a new peak

By John Makinson



Graham Laver

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Yet the trade problem between the two countries goes beyond any temporary embarrassment about the widening deficit. China's seventh five-year plan, which runs from 1986 to 1990, will lay stress on the importation of longer-term capital to develop the country's infrastructure. Roads and power stations will have a higher priority than consumer products. At the same time, China will encourage the domestic substitution of imported goods. It will seek to make—and export—the steel which it now imports from Japan.

The Chinese are so far unimpressed with the attitude taken by the Japanese business community towards the provision of capital and technology. Mr Gu Xian Cheng, vice-president of China International Economic Consultants, has as much to say about the possibility of dealing with foreign businessmen. He is full of praise for the Japanese Government's efforts to interest its industry in China. The Japanese have led the way in providing soft loans to China for infrastructure development. But, Mr Gu believes, the enthusiasm has yet to spread to the private sector.

"Japanese industry," he says, "is short-sighted. It is afraid that we will catch up. That is nonsense. As we become better off, our purchasing power will grow and we will have to buy new products from Japan."

The Japanese are less sanguine. "Just look at the women's volleyball team," insists one veteran Peking resident. "A few years ago they were halfway down the world rankings. Then they employed a Japanese trainer and now they have the best team in the world." What goes for volleyball may, in Japan's eyes, go for other sports and computers.

All foreign companies have reservations about investing in China. There is a common concern about the possibility of a return to less hospitable policies, compounded by worries about the inadequacy of Chinese legislation governing patents and joint ventures. The single largest stumbling block is Peking's insistence that jointly-owned enterprises must meet foreign currency payments on imported raw materials and components from the foreign exchange proceeds of export sales.

For a few Japanese companies, this requirement is easily met. China Nantong Li Wang is a joint venture which produces cloth shoes entirely for the export market. The company sources its raw materials locally and has access to cheap Chinese labour. Production started in February 1983 and the company made a profit in its first year of operation.

Not many joint ventures are so fortunate. The quality of Chinese electrical products, for example, is not high enough to

guarantee their acceptance in export markets. And even the successful joint ventures have difficulty in remitting profits to Japan. The turnover of China Orient Leasing has grown from \$2.5m in 1981 to \$11m in 1983 and the joint venture's president, Mr Kenji Kajiwara, is delighted with the profits. But he admits that the Chinese representatives on the board have so far rejected the idea of remitting cash dividends to Japan.

The Chinese argue, however, that American and European companies have proved readier to grapple with these problems than their counterparts in Japan. "Our Japanese friends are more cautious," says one senior Chinese official. "But if they decide to make the investment and one company takes the lead, more Japanese companies will follow."

So far progress is slow. Japan is well behind Hong Kong and the U.S. in the joint venture rankings. Last year, 100 Japanese companies held talks in Shanghai about the possibility of establishing joint ventures in China. Almost all decided against it.

For a country which prides itself on long-term planning and enjoys the highest surplus of capital in the world, the reluctance to commit investment to China is puzzling. Some Japanese undoubtedly feel themselves to be second-class citizens in the country. According to one Tokyo-based China watcher, Japanese engineers are offered less than half the rate extracted by their American colleagues for work in China.

And, for all the cultural and historic parallels, most Japanese find China an uncomfortable and even unfriendly place to work. "I have worked in Europe and North America, but I have never found any country as strange as China," was the characteristic comment of one Japanese resident in Peking. Japan's occupation of parts of mainland China in the 1930s and 1940s has left bitter memories on the Chinese side and some Japanese businessmen believe that the Chinese consequently drive—and frequently secure—a harder bargain with Japanese companies than they would with businesses from any other country.

Yet both sides recognise the mutual value of industrial co-operation and there is considerable confidence in both Peking and Tokyo that direct investment will pick up. "In the end," according to one senior Japanese civil servant, "investment will have little to do with detailed long-term planning. Japanese companies will simply panic at the thought of being left out."

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Dr Pepper's  
taste buds

Woodrow Wilson Clements—"my dad thought I was going to be president"—was in London yesterday to check on how the Brits are acquiring a taste for another Dallas product—Dr Pepper.

The third-largest soft drink manufacturer in the U.S.—after Coca-Cola and Pepsi-Cola—introduced its brand in the UK just three years ago and has been busy promoting it with a £1.3m advertising campaign.

Dr Pepper was later than its rivals into the export market, moving first into Japan in 1973. Exports still only account for about 3 per cent of its sales.

Clements, now 71, and chairman and chief executive since 1974, began selling Dr Pepper as a student in Alabama in 1935, 50 years after the drink was first concocted in a Texas drug-store.

A tall, good-humoured man, known widely by his childhood nickname "Foots," it was his marketing expertise that pushed the company into the U.S. industry's top ranks in the 1960s and 1970s.

Clements is still an enthusiastic salesman, currently smacking his lips over the opportunities for Dr Pepper sales in the wake of the Coca-Cola furore; in the U.S. sales are already up by more than 20 per cent, he claims.

"Coca-Cola's decision to change their formula surprised us as much as anyone else," he says. "In their position, I think I would have looked at my marketing first, done a lot more consumer research, and if I'd then decided to change the formula I wouldn't have told anyone except the chief chemist. But I don't think we've heard the end of the story yet."

Building a market for Dr Pepper in the UK, he admits, is a slow process. "You have to get the taste accepted among young people first and then build it up in successive generations."

It may be some time before UK drinkers emulate their

## Men and Matters

American cousins and take their Dr Pepper not only cold straight, but hot with a slice of lemon, or use it to flavour their shrimp dip, cocktail biscuits and spare-ribs.

Stout fellows

In the midst of his struggle for control of Bell, the whisky blender, Ernest Saunders, chief executive of Guinness, is not neglecting the promotion of the black stout, which provides two-thirds of his group's profits.

Guinness went through a period of selling to the "Guinness" that campaign has helped the brew increase sales in the last two years, while, generally, draught beer sales have been languishing.

But Saunders feels that rather more has to be done to keep the name of Guinness before the public. He has hired advertising agents Ogilvy and

Mather to run a new £8.5m campaign.



## UK CONSUMER CREDIT ACT

## Building societies forced into line

By Clive Wolman

THE building societies agreed last week on a cut in their mortgage interest rates by about 1.25 percentage points from September 1. But many borrowers will notice not a cut, but an increase, in the interest rates they are quoted by their building societies.

The reason is that from next month, the building societies will be obliged to quote the true Annual Percentage Rate (APR) of interest to their customers and potential borrowers. And that rate will be between 0.5 and 1.5 percentage points above the rate the societies use at present.

Eleven years after the passage of the Consumer Credit Act, its "truth in lending" requirements, probably the most important of its provisions, are being extended to the building societies, who are the suppliers of by far the largest volume of loans to individuals. The current value of building society mortgages is just over £50bn, about 60 per cent of the value of all personal sector loans.

The requirement, putting building societies on an equal footing with the banks, forebodes a more general set of legislative reforms to be introduced in Parliament in the autumn which will promote bank-building society competition in making loans. The change will also intensify a phenomenon which has not been seen since the 1930s, competition to win mortgage customers.

Several societies started advertising their mortgages for the first time this summer; the Halifax is even doing so on television. The clearing banks have re-entered the mortgage market with more ambitious lending targets and foreign banks and merchant banks have also appeared. This has meant that, despite a shortfall in the societies' targets for raising funds from depositors over the last six months, many are unable to lend out all the funds they have available.

The building societies resisted quoting their APRs for so long for two main reasons. Firstly, the requirement will mean that their interest charges no longer appear cheap compared with those of the banks. Secondly, the change has forced several administrative changes on them, for example the re-writing of large sections of their mortgage booklets and deeds. To avoid quoting an excessively high rate, many are also changing their repayment schedules so that their new borrowers may have to make an

additional payment, up to an entire month's interest, between now and the end of the year.

All this is a consequence of the unwillingness of the building societies to update their traditional method of calculating interest which grew up in the days of the dominance of small, local societies relying on slide rules and logarithm tables.

One beneficial effect of the APR regulations is that they highlight the unfairness of the building societies' interest charging structure as between their borrowers. The true interest rate can vary by typically 0.5 percentage points depending on when in the year, when in the month and how long they hold onto it.

The problem arises because the societies take a snapshot only once a year of their borrowers' debts and then charge interest on that debt for the rest of the subsequent year. Thus a borrower who makes a large payment a day later will be over-paying. A fairer system would be to take daily snapshots of the debt and compound interest daily.

The fact that the truth-in-lending rules, probably the most important theme of the Consumer Credit Act, will now affect a much wider section of the population and for much larger sums than previously is also exposing the inadequacies of what was one of the most ambitious legislative projects of the consumerist movement of the early 1970s.

In some respects, the provisions are too burdensome and bureaucratic. This was confirmed by a review of the workings of the Act carried out by the Department of Trade and Industry officials earlier this year as part of a general Whitehall review of ways of cutting Government red tape affecting businesses.

But in other respects, the regulations do not require sufficient information to be disclosed. As far as home purchasers are concerned, there are four major inadequacies.

● A comparison of APRs will not tell a borrower directly whether it is worthwhile redeeming his mortgage with his existing lender and switching to a different one. The Director General of Fair Trading, Sir Gordon Bost, said last November that the freedom to switch from one lending institution to another with ease should be a major stimulus to competition and a safeguard against mortgagees' suffering from arbitrary interest rate increases. But the borrower has



When house buyers are choosing a bank or building society, they have to consider the following elements of cost:

● How large are the initial payments?

● How soon after taking out the mortgage will the monthly payments start? (Five weeks grace is preferable to five days.)

● Will the initial monthly payments stay constant or go up or down, even without a change in the quoted interest rate, when the lender calculates the outstanding debt at his accounting year end?

How large are the setting-up costs for the mortgage (fees, surveyor's charge)? The attraction of the Annual Percentage Rate, which is based on the actuarial concept of discounted present values, is that it distils all these elements into a single figure. Building societies will only be quoting a "typical" and approximate APR (see text) in their advertisements. But most borrowers will not need to look further than the bottom line—and choose the lender quoting the lowest APR.

no easy way of deciding whether the savings he would make with a new lender justify the costs of setting up a new mortgage.

The APR includes the initial charges for setting up a mortgage, but there is no provision for lenders to inform their customers of their ongoing interest rate once the initial charges have been incurred.

● A simple comparison of APRs will not tell borrowers whether a repayment mortgage offers a better deal than an endowment mortgage.

Endowment mortgages require the borrower to accumulate a capital sum sufficient to pay off his mortgage by paying regular premiums into typically a with-profits endowment life insurance policy. Since the removal of tax relief on life assurance premiums in the 1984 Budget, endowment mortgages are much less attractive, particularly for basic rate taxpayers. However, borrowers are often persuaded

to take an endowment mortgage because of the large commission they offer to the building society or other salesman.

The problem could have been solved by a requirement on insurance companies to assume a standard rate of return on what remains of the investment of the policyholder-mortgagor after they have deducted charges. The annual premiums and, on the other side of the equation, the projected surplus remaining for the policyholder when the mortgage is paid off could then be incorporated into the APR. The Government however felt that such a procedure would be too complicated and impractical.

● The APR does not include the effect of tax relief on a mortgage. Thus for example a borrower cannot easily decide whether it is worthwhile using his savings to pay off a mortgage early or whether he should invest the money in, say, National Savings certificates. In general most of the consumer credit act, in fact, is that the APR assumes

that mortgage interest rates will be fixed forever. However, a borrower may take out a mortgage with a building society quoting the lowest APR, only to find a few weeks later that his interest charges have been increased and his society has become one of the most expensive.

It has never been decided whether such a practice could be struck down by the courts. The principle established in the 18th century against "oppressive and unconscionable" contracts. The leading legal textbook on building society law, Wurtzburg and Mills, says: "It is still considered to be open to doubt if an unlimited power simply to vary the interest rate at discretion would be legally valid."

The Consumer Credit Act says only that a mortgage contract "must include a statement indicating the circumstances in which any variation may occur."

The building societies have traditionally defended such a practice on the grounds that the volatility of interest rates over the last 20 years has made fixed rate mortgages impractical and that their discretion has generally been used benignly to keep mortgage rates often well below money market interest rates. They also claim that they would fall to win new borrowers if their rates were out of line with the market.

But since the break-up of the building society interest rate cartel two years ago, mortgage rates have generally moved and stayed well above market interest rates. With the intensifying competition for savers' funds it is doubtful whether rates could ever fall below again for more than a few weeks. And for the first time societies appear willing to charge new borrowers lower rates than their captive existing borrowers. Abbey National announced it was introducing lower rates on large loans in August for new borrowers only and it said nothing wrong in making a separation.

Also the growth of interest rate futures and swap markets allow lenders to convert fixed rate assets into variable ones—and vice versa.

When there is a more general overhaul of the consumer credit act, in probably two or three years, DTI officials believe that building societies could be obliged to charge an interest which bears a fixed relation to, say, the average London Inter-Bank Rate of the previous three months.

## The Cruise business

## Why choppy waters may lie ahead

By Andrew Fisher

IN AN INDUSTRY as full of glamour, hype and marketing style as cruising, voices soberly counselling caution tend to strike a discordant note.

But cruise companies, selling sun, romance and adventure, have to match sales flair with sharp-eyed accountancy, although some \$1.5bn of new investment is on the way, the mood is not wholly buoyant.

Mr Richard Fain, joint managing director of Götass-Larsen, a Bermuda-based company with major cruise interests, admits: "It's no fun to say there may be a problem over the horizon."

But gathering ocean swells are just what London-based Mr Fain expects. Paradoxically, Royal Caribbean Cruise Lines (RCCL), in which Götass-Larsen owns a third, will be a major contributor to over-capacity in a couple of years.

In the past decade, the growth in cruising has outstripped most other forms of holiday, though starting from a low base. This year, it will be a \$4bn business in the U.S., with some 2m Americans taking mainly to the Caribbean and Pacific seas.

The industry is changing, however. Mr Ron Zeller, president of Norwegian Caribbean Lines (NCL), reckons "the cruise industry is a Johnny-come-lately in world business."

Despite expressing enthusiasm about the future at the recent Cruise 85 conference in London, Mr Zeller believes that cruise companies will have to bring in more effective business systems and technology to both make and keep profits.

Those who, like Mr Fain, are concerned about the effect of the new tonnage, which will mainly crowd into the Caribbean, accounting for 70 per cent of the U.S. market, reckon there may even be some corporate casualties.

The almost hermetic sealing off of cruise passengers—Yuppies, or "young, upwardly mobile professionals," affluent, style-conscious and choosy, are a key target—is a notion increasingly emphasised in future thinking within the industry.

"There is a vast untapped potential there, but there always will be," argues Mr Fain. "It's no good saying 'these people might want to cruise.' What matters is how many you can convince." He believes it will

take continuing market growth of 11 per cent a year to absorb the new tonnage, well above latest rates and three times the growth in the U.S. economy. So who is planning what and how much is being spent?

● A \$175m order placed by RCCL in July for a big ship—the costliest yet—one of two it wants to spread its market position beyond the Caribbean. But RCCL has cautiously deferred the second contract.

● NCL, still considering an ambitious \$450m plan for a 5,000 passenger ship code-named Phoenix, has announced a lesser investment of some \$200m (still to be placed) which will produce a vessel to take 2,500 people, the same as the new RCCL ship and more than the Norway, the world's biggest cruise ship, which NCL owns.

● United States Cruises has been set up in California to put through an audacious \$170m conversion and refit of the SS United States, mothballed for the past 15 years.

● Cunard, part of Britain's Trafalgar House, is pondering whether to spend \$80m (\$77m) on re-engineering the 18-year-old QE2 and shaving a few millions off her annual \$15m fuel costs.

● Miami, the world's cruise capital which disembarks over 12,000 cruise passengers every Saturday morning and embarks the same number in the afternoon, is investing in \$100m worth of terminal, harbour bridge and transport facilities.

At present, says Mr Carmen Lunetta, the port director, Miami can handle 11 ships at once. Soon, it will be 14. "There's no reason but to be bullish, as we've not seen anything to disturb the growth trend of the best part of a decade."

Now the Japanese, their traditional shipbuilding markets in disarray during the shipping recession, want to break the stranglehold of European yards on the industry. Nippon Kokan (NKK), has already won a North Sea ferry order.

"They're bidding on everything they can find," comments Mr Bjorn Fusché of IRO Maritime, the Oslo consultants assisting NKK.

NKK, also a steel group, has developed special laminated steel which could dampen noise and vibration on ships. Mr Hiroyuki Nasuno, its deputy general manager of export ship

sales, says yards in Europe offer cheaper financing than Japanese concerns. "Japanese banks are not yet familiar with the cruising business."

It could thus be some time before the first Japanese cruise ship is built.

There is, in fact, a wide enough range of cruises to tempt large numbers of Americans, starting with three- and four-day cruises of \$300 and more.

But the really rich do not want to go on standard cruises. To cater for the rarefied end of the market, Norwegian-owned Sea Goddess Cruises has two new \$34m ships unashamedly "dedicated to people who are accustomed not only to the better qualities of life, but also the unusual."

At a cost to passengers of some \$4,000 a week, the ships have been 80 per cent full—they only take about 100 people—in the summer Mediterranean season, says Mr Rolf Hjelseth, a partner in the venture.

But it is the big ships that make up most of the market, even though sail and exploration cruising have become popular. The QE2, still benefitting from Atlantic trips from the dollar's waning strength, costs up to \$160,000 a day to run and has to be 70 per cent full to break even.

"She's comfortably achieving that," says Mr Bernard Crisp, UK director of Cunard Line. The company earns over 65 per cent of its cruise revenues in the U.S., where the Cunard Countess and Cunard Princess are based. As for over-capacity in the market, "in general I'm not worried," Mr Crisp says. Cruising will make profits this year and more next, he adds.

One company which clearly states its cruise earnings is P&O. Last year, its pre-tax profits in the sector rose from £4.1m to £4.6m. Sir Jeffrey Sterling, chairman, said in the annual report, however, that "competition in cruising is fierce and the return on this division's capital employed needs to be improved."

Undoubtedly, cruising has far more appeal than the average business. But Mr Fain warns that "if the industry continues to expand at its current exaggerated rate, too many operators will be pursuing the same passengers and some of the wounds will be too deep to heal."

## Anomalies in pay

From Elizabeth Vann

Sir—John Lloyd's confusing and sketchy piece "Delicate issue of equal pay" (London, August 16) did little to clear up the myths surrounding this new legislation.

Although recognising that the average female hourly-wage is 75.5 per cent that of the male hourly rate, he purports to draw on three centres of research to justify this, but gives no details other than that women in general have less work experience than men after spending time out of paid work having children. Such patry generalisations do not do justice to the magnitude of the claims now being made.

John Lloyd gives one example of an equal pay claim—a "canteen worker" claiming parity with skilled male workers at Camell Laird shipyard. But what he omitted is that the "canteen worker" is a highly skilled industrial maintenance technician, and hard to be paid less than a shipyard worker. A further example of such a claim is the senior secretary at Climax in Coventry, who will have had college training, management experience and a wealth of human skills to be employed at a senior level. Yet her pay is £82 per week while a forklift truck driver with no experience (not even a driving licence) and one week's on-the-job training receives 37 per cent more—£126 per week.

If we look into the claims being made, the facts directly contradict such quasi-scientific justifications. If they did not they would not find their way into the rigorous weeding out of the first interview for the industrial tribunal. It must also be pointed out that such "research" does not explain why, with the opportunities, pay and conditions that their male colleagues do—the disparity in rates starts at age 16.

John Lloyd then goes on to make the odd claim that because women are generally less intelligent than men, they are paid less. May I suggest that interest in inverse proportion to creases in inverse proportion to its size. Necessary for the basics concentrates the mind.

It may be that women do not express their concerns in the same terms as men, but surely that does not invalidate the concerns or make them nonexistent? As we are still expected to take on the role of putting family and yet also to work/career and yet also to accept a lower income in paid work than is often necessary to properly look after children and sick, handicapped or elderly relatives? Concerns such as Flexitime, childcare facilities

## Letters to the Editor

and basic pay rather than bonuses and overtime rates are more important to women than men.

The issue of equal pay is an important concern both for management and the labour movement, and for the women whose presence is rarely acknowledged by either. But let us give the issues it raises careful consideration rather than glib unresearched generalisations. To do the latter is to feed prejudice and misunderstanding rather than provide the information necessary to tackle the disparities in our anomalous pay systems.

Elizabeth J. Vann,  
North Grove,  
9 Stainbeck Lane, Leeds.

## A wage/tax trade off

From Mr C. Smith

Sir—One applauds the suggestion that income tax cuts should be conditional upon non-inflationary pay deals. Would he accept this collective offer instead: a value added tax cut, to reduce prices, and no pay rise, to hold them down?

It would seem better for him to have more to spend (the same money but cheaper goods) than the same spending power (more retained pay said last normal price rises). It would be a lot better for people paying little or no income tax—and for employment and the economy at large.

Christopher Smith,  
Tilcocks,  
The Square,  
Apley Guise, Beds.

## Owners of the TSB

From Mr D. Rolio

Sir—By using Parliament to legitimise the giving-away of the Trustee Savings Bank Scotland (worth between £800m and £700m) to a limited company, without compensation to the real owners, the Government has provided a dangerous precedent for any future Labour Government of the Left. In the absence of a Bill of Rights, any future Government will thus be entitled to nationalise, without compensation to the shareholders, any company including those formed recently by privatisation.

The European Court of Human Rights, at which the UK

makes regular appearances, may provide a remedy for both shareholders and depositors but the time lag may be three years. It would be to the benefit of all concerned if the Government had second thoughts and examined the morality and consequences of its recent actions.

David Rolio,  
25 Beaufort Drive,  
Kirkintilloch, Glasgow.

## The rise and rise of bankers

From Mr P. Herbert

Sir—We have all recently read a great deal (with, no doubt, a great deal more yet to come) about bank failures and about the supposed shortcomings of supervisory authorities and auditors. No effort seems ever to be spared in seeking convenient scapegoats for these misfortunes and to judge by the number of lawsuits pending, we must suppose that a lot more hot air and bickering has still to surface. I would suggest, however, that a greater good might be achieved by a proper examination of some of the principal causes of the problems, matters which until recognised will continue to contribute to further disasters.

Within the past twenty or so years in banking, there have been some quite remarkable (and usually welcome) changes, perhaps especially so in London where not the least important development has been the extraordinary growth in the number of banks operating. Each of these banks (and there must be some doubt as to whether "bank" is a totally appropriate word for some of them) has obviously needed to recruit staff during a period when, with the rapid growth of offshore centres, many experienced bank personnel have been lost to the lure of sunshine and large, tax-free salaries. These factors have combined to place a very serious strain upon remaining home-grown resources and the resultant shortage has caused many banks to resort to various types of accelerated progression programmes which, while often giving genuinely first-class training in theory, do not and cannot provide practical experience. One possible result is that people can be promoted or appointed to responsible positions which demand levels of judgement beyond their experience.

Obviously, any cake is only

of a certain size, but with so many now demanding a slice, competition increases constantly and whilst competition within reason can rarely be said to be bad, greed seems also to have entered the scene, with over-investing and often unrealistic profit demands being made by some owners and boards upon their management. This in turn would appear on occasion to have led other traditionally more cautious people to take on customised risks, largely for fear of lagging in the various performance/size league tables to which so much hysterical homage is nowadays paid.

The endless demand for increased profits, the evidently lower level of business morality prevalent today, the apparent inability of so many to resist jumping on every passing bandwagon—(after all, who wants to be accused of lack of vision?)—and the shortage of genuine experience are, in my opinion, factors that contribute significantly to lower standards in banking. They are certainly the principal contributors to the present credit policy and judgement and I wonder how many of today's younger bankers, when asked the question "what, as a banker, is your prime responsibility?" would, let alone give, the answer "the protection of my depositors."

In such circumstances, I would ask if it is really fair to attempt to lay blame on editors and supervisory authorities who cannot be held directly responsible for initial lack of competence, although to some extent the authorities in general must be accountable for allowing the root cause—over-banking—to have arisen.

Patrick Herbert  
Rhosili  
West Beech Hill  
Wadhurst, E. Sussex

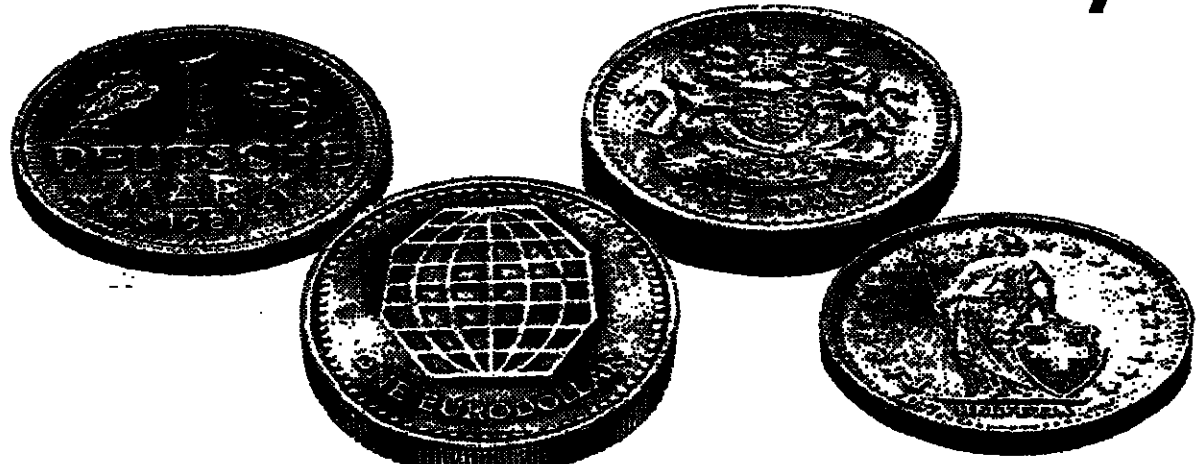
## A living in the City

From Mr W. Dixon

Sir—Recently I attended a meeting for investment analysts at a major public company following quarterly results. As analysts had questions for the management. There was plenty of note-taking, however, and transcripts of the proceedings in one form or another will no doubt be landing on managers' desks in due course. At least two "analysts" took no notes at all and could only have gained the vaguest impression of a discourse lasting well over an hour.

What is surprising in the City is not the high level of remuneration of the few but the astounding lack of satisfactory living of the many. William Dixon,  
14 Talbot Rd,  
Isleworth,  
Middlesex.

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## BONN INTELLIGENCE AUTHORITIES SAY WOMAN HAD ASSUMED FALSE IDENTITY

### Bangemann aide 'high-ranking spy'

BY PETER BRUCE IN BONN

WEST GERMAN intelligence authorities now seem certain that Frau Sonja Bangemann, a close aide to Herr Martin Bangemann, the Economics Minister, is an important East German agent.

Frau Bangemann, 60, who was Herr Bangemann's chief secretary for 12 years until he was promoted last month, has been missing for two weeks and is believed to be in East Berlin.

The Government's chief spokesman, Herr Friedhelm Ost, yesterday confirmed reports that Frau Bangemann was now suspected of having assumed a false identity to enter West Germany. According to these reports, a Frau Bangemann, a hairdresser by profession, reported to police in West Berlin in the mid 1960s that she was leaving the city to live in Cologne in France.

The authorities have now established that a woman called Sonja Bangemann then re-emerged in West Germany from Cologne, and moved about the country for a while before settling in Bonn and attaching herself to the Free Democratic Party

(FDP), a junior partner in the current coalition Government. Herr Bangemann is leader of the FDP.

The change of identity theory has hardened since friends of the hairdresser who left West Berlin have been shown pictures of Frau Bangemann's aide and confirmed that they cannot be the same person.

West German intelligence sources are being quoted as saying the placing of an East German agent in Bonn through France would imply a great deal of careful planning had gone into the task and that the scale of deceit points to her being an important agent.

The conservative newspaper, Die Welt, which frequently reports accurately on thinking within the Bonn intelligence community, said in a front page comment yesterday that a change of identity indicated "the highest art" in espionage. The commentary poured scorn on the Economics Ministry, which has insisted that the woman had no access to secrets.

Certainly, the early position adopted by the ministry spokesman

and the Minister himself - that Frau Bangemann was always hard-working had no access to secret documents and was simply employed to organise the minister's social and travel diary - has weakened considerably.

The ministry in fact admitted for the first time yesterday that Frau Bangemann had actually been cleared to deal with secret documents. It continued to insist, however, that she had not handled any.

West German intelligence is now reported to expect next to see Frau Bangemann on East German television, an event which could prove deeply embarrassing to Herr Bangemann. The secretary had become a close friend of his family.

Some commentators in Bonn have even begun to speculate about Herr Bangemann's future, although this seems premature. The minister's chief problems, however, are that the FDP has, by switching allegiance, never been out of Government since 1983. Herr Bangemann as a coalition party leader, also belongs to the most secret body in the

country, the Federal Security Council.

By remaining close to a senior FDP politician, Frau Bangemann would have been very close to government thinking for 12 years. In the year that Herr Bangemann has been Economics Minister, she may well have had access to oral information about East-West trade, arms sales and trade in sophisticated technology.

Frau Bangemann failed to return from what she told colleagues at the ministry would be a long weekend in Belgium on August 2. When police searched her home, they apparently found equipment for photographing documents. First reports said a Minix miniature camera had been found at the home, but this has since been denied.

The West German prosecutors' office confirmed late yesterday that a secretary to the association grouping people who fled to or who were expelled to West Germany after the war from East Germany and Poland has gone missing and is suspected of being an East bloc spy.

## Clouded outlook as Laker nears \$8m deadline

By Duncan Campbell-Smith in Jersey

JERSEY in the rain is a melancholy place. But none of the holidaymakers wandering listlessly along the wet seashore of St Helier yesterday morning presented a sadder spectacle than Sir Freddie Laker, watching the drizzle from his third floor suite at the Grand Hotel.

Today is the expiry date of the offer of \$8m made to Sir Freddie last month by British Airways and its co-defendants in the U.S. anti-trust case over the 1982 collapse of Sir Freddie's airline and its Skytrain operations.

As things stand now, Sir Freddie will not be receiving any of the \$8m. Neither will his fourth wife, nor his seven-year old son who sat with him at the Grand Hotel, waiting for the clouds to disperse.

The offer was conditional on Sir Freddie acquiescing in every detail of the \$48m out-of-court settlement to their anti-trust case which the airlines have negotiated with Mr Christopher Morris, the Laker Airways liquidator, and the plaintiff in the U.S. courts.

Just 10 minutes walk from the Grand is the Royal Court of Jersey. Thirty lawyers assembled there yesterday to begin legal proceedings over the settlement, which must be cleared in the Jersey courts, since they first registered Laker Airways. The crowded courtroom and the complexity of the hearing - which seemed likely to continue in camera for two or three days - testified again to the repeated efforts which Sir Freddie has made to block the settlement.

And it was confirmed in the Royal Court that Sir Freddie's lawyers have already made an application to the English court of appeal against the Vice Chancellor's rejection of his arguments in the High Court last week.

Such repeated setbacks have begun to leave Sir Freddie looking a rather lonely figure, as the legal machinery of the settlement grinds slowly on. He has expressly undertaken to the courts not to discuss the progress of his various appeals; but he made clear yesterday that he was wasting none of his energy on self-pity. Of course, said Sir Freddie, he had to acknowledge it was a sad predicament that he was facing the expiry of the \$8m offer - but then, it was always "totally incapable of acceptance" anyway.

He had been asked to give assurances on behalf of Laker to a joint venture partner in the past, which he was simply not able to provide, Sir Freddie explained. This - and the fact that no one from the airlines would come and talk to him - had made the \$8m an impossible offer from the start.

"I have asked three times, once in writing, since July 12 for an opportunity to discuss the terms of the offer," said Sir Freddie. "And three times, BA have said no. No one wants to see BA privatised more than me - but not at my expense."

Mr Bill Park of solicitors Linklaters & Paines, who has spent since last November negotiating the settlement on behalf of BA, met Mr John Beveridge QC, Sir Freddie's counsel, for lunch at the Grand. But Mr Park insisted that further discussion about Sir Freddie's attitude was out of the question. "The airlines made their position clear in the letter of July 11 (proposing the \$8m payment) and we are not departing from that," said Mr Park.

"I am here and I am happy to talk," insisted Sir Freddie at the Grand. "We could easily find a way around the obstacles which are left." But the Laker link is not the only obstacle he has in mind. Sir Freddie remains anxious, for example, that his failed airline should be seen to have paid off all its 1982 debts. No demand could be better calculated to set the whole tortuous settlement negotiations back to square one.

Even Sir Freddie agrees that more time would be needed to accommodate his wishes.

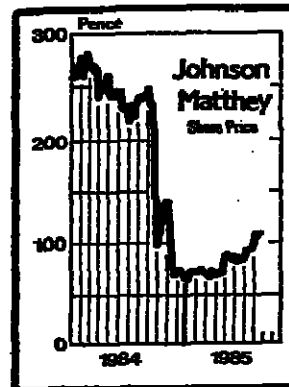
## Row grows over Greenpeace sinking

Continued from Page 1

self from an alleged covert operation that led to the blowing up of the Rainbow Warrior through his declaration on Sunday night warning that any intrusion into French South Pacific waters during nuclear testing would be met by force. This underlines the long-standing French policy that France will brook no obstacles to its testing in the South Pacific.

The controversy over the sinking of the Rainbow Warrior is now eclipsing the Government's other difficulties in getting approval for legislation to give more regional autonomy to its Pacific territory

## THE LEX COLUMN A question of Enterprise



With Libor at around 11 per cent, the B & B must be saving at least 4 percentage points compared with its top-paying term retail deposits.

For Eurobankers, British building societies are one of the best credits around. At the moment, at least, all their lending is secured and their bad debt experience is negligible. Even when they are allowed to lend on an unsecured basis, probably in 1987, the loans will only be allowed to take up 5 per cent of assets. At the moment, they have the same limit on borrowing in the wholesale market, unless they win permission from the Registrar of Friendly Societies. But now that they have to compete with the banks on the leading front, there must be a case for allowing them similar easy access to cheap deposits.

### IDBs

The Bank of England has made its dispositions for the new gilt-edged market in the manner of a benevolent teacher antipathetic to the school play. Every child that can speak the lines should be given a chance, even if the stage becomes rather cluttered and there are not enough parts to go round. Yesterday the Bank cast its supporting roles - the inter-dealer brokers and the stock exchange money brokers - in the same spirit as it had the market makers. The result is that there seems to be simply too many of everything.

The Bank's stock response to the charge that it is creating an over-populated gilt-edged market is that the market itself must determine how many participants the trading volume can support. In the case of IDBs this principle has been taken a stage further, since the Bank is also leaving the market to judge whether common ownership of a

market maker and an IDB is acceptable or not. If, it argues, a conflict of interest is manifested between a market maker and an associated IDB, the other market makers will switch off that IDB's screen.

U.S. experience suggests, however, that the gilt-edged market will not be able to sustain all six of the IDBs approved yesterday, a point which R. P. Martin has tacitly acknowledged by dropping out of the running. Wall Street provides a comfortable living for only three. This is not just a matter of the market's overall capacity. With six IDBs linked up to the system, a senior market maker may be required to monitor as many as 20 separate screens on the dealing desk.

The Bank could in this instance have thinned out the numbers by following the U.S. example and insisting that no company owning a market maker should also own an IDB. While there is not much evidence that the associated companies could behave improperly without the Bank or the market cottoning on, the risk scarcely seems worth taking when there are too many IDBs already. A profusion of market makers may help to generate liquidity, but a profusion of IDBs may create nothing but confusion.

### Johnson Matthey

Johnson Matthey made it clear when it announced its preliminary 1985 results that a new financing agreement with its creditor banks was all but wrapped up. What people hoped to discover from yesterday's statement was how much the terms on the loans had improved. Unfortunately, the company will only reveal that the total facility has fallen by over £200m.

Meanwhile, a lucky - and anonymous - group of investors will participate in the issue of £25m of floating-rate notes, again at an unspecified spread over Libor. Free with the notes are warrants to buy Johnson Matthey shares at 120p at any time in the next five years. Yesterday the shares closed at 110p, up 2p. In case investors are worried about the chances of making money on their warrants, they can reassure themselves by glancing at the 1985 annual report, also out yesterday. Mr Eugene Anderson, the new chief executive, has already bought shares now worth about £1m for himself and is currently asking shareholders' approval for an executive share option scheme.

## Argument grows over BBC vetting

By Helen Hague, Labour Staff, in London

CONTROVERSY OVER the vetting of some BBC staff by the UK counter-espionage service MI 5 grew yesterday as the corporation acknowledged that the system was in operation.

Rebroadcasting unions have requested an immediate meeting of the BBC's National Joint Council, the corporation's union-management forum, on the vetting issue.

Failure to secure a "satisfactory response" from management will result in BBC unions drawing up a joint campaign of action, Mr Harry Conroy, general secretary of the National Union of Journalists (NUJ), said after an emergency meeting of the union's executive yesterday.

The BBC yesterday issued a statement saying that the "so-called" vetting system of BBC staff was introduced at the request of the corporation in 1987 - and had continued under successive administrations.

It has been steadily reduced since 1945, and now "only relatively few members of staff go through the procedure," according to the corporation.

Those who do so are "necessarily involved in sensitive areas or require access to classified information."

The statement - issued by the BBC after a board of management meeting, continues: "Even these numbers are kept under continuous review. The desire is to reduce them even further. Only the BBC decides who to appoint to any post within the corporation or whether to invoke the vetting procedures."

"No external agency has a right of veto on the appointment or promotion of any member of staff."

The NUJ - which is seeking an urgent meeting with the Home Secretary over the present crisis within the BBC - believes it can make a prima facie case that BBC management has deliberately sought to deceive the unions over the vetting issue over a long period.

The journalists' union has also demanded that the BBC board of governors intervene in the controversy "by using its much-publicised desire to supervise management."

Mr Conroy said: "This union believes that evidence of serious malpractice in administration by management is precisely the sort of issue on which the governors should intervene."

Broadcasting unions have already arranged to hold a conference on the implications of the banning of the "Real Lives" documentary.

## Rothmans denies last-minute counterbid for Arthur Bell

By Lisa Wood in London

ROTHMANS International, the South African-controlled cigarette group, yesterday firmly squashed widely circulating rumours that it was making a last-minute counterbid for Arthur Bell & Son, the Scotch whisky distiller.

Bell, which is making a fierce fight against the £380m (\$504m) bid by Guinness, the Irish-based diversified brewing group, made no statement at the weekend that would have dampened the speculation that Rothmans was emerging as a white knight.

Sir Robert Crichton-Brown, chairman of Rothmans International, said in a brief statement yesterday, however, that although a conversation took place on Thursday last week with the chairman of Bell, "that company was advised the same day that Rothmans had no plans or intention to proceed with any association with Bell."

The rumour of a possible counterbid had provoked a flurry of activity at Guinness whose final offer for Bell's shares on Friday, The Brewers and Retailer, however, made no comment yesterday on the Rothmans statement.

It is understood that Guinness slightly increased its stake in Bell yesterday, taking its shareholding acquired on the London Stock Exchange to just over 13 per cent.

A statement from Bell said: "Bell was pleased to see the clarifying statement issued by Rothmans earlier today as Bell's feels that this was the best way of conclusively refuting the rumour that to Bell's surprise had been extensively reported in the press over the weekend." A spokesman for Bell declined to say whether or not another possible counterbidder was emerging.

The possible South African connection involving Rothmans was one factor that provoked Mr David Steel, leader of Britain's Liberal Party, to urge Bell's shareholders to accept the Guinness offer.

Mr Steel, MP for a Scottish constituency, said it would be cynical for Mr Raymond Miquel, chairman of Bell, to be dealing with an alternative bid that would come to nothing since possible referral to the UK Monopolies and Mergers Commission could result in all offers collapsing.

There was a further complication, he said, because Rothmans was extensively involved in South Africa. Mr Steel added that, when Guinness took over a business in his own constituency, he had been impressed by the independence of local management and the progress of investment proposals.

See Lex

## UK rail dispute worsens with more services hit by strikes

By David Brindle in London and Robin Reeves in Cardiff

BRITAIN'S rail dispute, which has arisen over plans to run driver-only trains, worsened yesterday as more commuter services around London were disrupted by unofficial industrial action.

Prospects of the two sides in the dispute achieving any breakthrough at their meeting today looked bleak last night as relations between British Rail, the state-owned employer, and the National Union of Railwaymen (NUR) became more hostile.

British Rail went ahead with its threat to dismiss almost all the 90 guards at the Margam and Llanelli depots in South Wales after only four broke their strike over driver-only train operation and returned to work.

This prompted a walk-out by the 98 guards based at Severn Tunnel Junction, an important marshalling yard for freight services to and from Wales and South-west England. Union officials predicted a "major impact" on freight working on British Rail's Western region.

On the Southern region, the driver-only row caused serious disruption for the first time yesterday as guards took sympathy action and halted up to 50 per cent of commuter services to and from London's Victoria and London Bridge stations during both the morning and evening peaks.

BR expected this disruption to end today.

British Rail sees its plans for driver-only trains, removing the guard, as central to its hopes of future productivity improvement in the face of increasing competition from road transport. BR first mooted the change nine years ago and has accused the NUR of dragging its feet. BR claims that driver-only operation would save £27m (\$38m) annually over five years.

The NUR, which represents guards, has emphasised the safety issue in its fight against driver-only operations. The union is also concerned about future job losses.

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## Warsaw's boardgame capitalists

Continued from Page 1

the co-operative which remits their 6 per cent turnover tax and company tax to the finance authorities. The latter can go up to 85 per cent depending on earnings. Their fixed profit margin on the games, which sell at about \$5 (\$4.50) is about 30 per cent.

Until now there had been little competition in the booming Polish games market because, as Mr Ellert explained, it required expensive off-set printing machinery. Like other university graduates in Poland he decided to forgo an unrewarding career in state industry after graduating from the School of Economics and went into business with his father.

Many other private businessmen, including so-called Polish firms run by Westerners of Polish descent, who have set up shop since the economic reform began in 1982 have been interested in quicker profits. They concentrated on producing items such as costume jewellery for women or scarce necessities which are sold at a high profit.

Several of the Polish companies have been accused of skimming off scarce materials from state companies as well as evading taxes. The businessmen claim they pay taxes averaging 85 per cent of profit, which are said to average 7 per cent of turnover instead of the

35 per cent cited by the Finance Ministry.

Instead of exporting Polish goods to the West, as was hoped, the private manufacturers sell only 5 per cent of their output for hard currency. The enormous gaps and deficits in the domestic Polish consumer market are easier to fill. Undoubtedly the owners of the Polish companies stir up considerable envy and animosity as they drive their Mercedes cars with special green licence plates across the Polish countryside.

Polish economists say the private entrepreneurs do so well because of the ambiguous state of private business in Poland.

## S Africa cuts rate

Continued from Page 1

a strike by gold and coal miners threatened for August 25. The NUM revised demands to the chamber at the talks. A statement issued later said the union still wanted pay increases but had dropped demands for shorter hours and longer holidays.

Talks between the NUM and the chamber, which represents employers, are planned again for tomorrow, according to Mr Cyril Ramaphosa, NUM general secretary.

The union's revised position is not only reasonable but indicates a clear intention to reach settlement with the chamber, the NUM statement said.

Michael Holman adds from Pretoria: Leading South African churchmen met Mr Botha yesterday to express fears of a "further escalation" of the country's violence but emerged in a pessimistic mood.

Archbishop Dennis Hurley of Durban, part of the nine member Catholic, Methodist, and Presbyterian delegation which Bishop Desmond Tutu, the Anglican Bishop of Johannesburg, had declined to join, told journalists afterwards: "The two perceptions of South African reality were so different that we barely began to communicate at all."

## World Weather

Area	°C	°F	Area	°C	°F	Area	°C	°F	Area	°C	°F
Alaska	27	81	Chernobyl	30	86	Madagascar	27	81	Sahara	22	72
Algeria	32	90	France	21	70	Mali	27	81	Senegal	27	81
Argentina	27	81	Germany	22	72	Morocco	27	81	Sierra Leone	27	81
Australia	27	81	Italy	27	81	Niger	27	81	South Africa	27	81
Bahamas	27	81	Japan	27	81	Nigeria	27	81	Spain	27	81
Bangladesh	33	91	Kenya	27	81	Romania	27	81	Sweden	27	81
Barbados	27	81	Laos	27	81	Saudi Arabia	27	81	Switzerland	27	81
Belize	27	81	Lebanon	27	81	Sri Lanka	27	81	Taiwan	27	81
Bermuda	27	81	Lithuania	27	81	Tanzania	27	81	Thailand	27	81
Bhutan	27	81	Madagascar	27	81	Togo	27	81	Turkey	27	81
Bolivia	27	81	Malawi	27	81	Tunisia	27	81	Uganda	27	81
Brazil	27	81	Mexico	27	81	Turkmenistan	27	81	Ukraine	27	81
Bulgaria	27	81	Nicaragua	27	81	Uzbekistan	27	81	USA	27	81
Burkina Faso	27	81	Paraguay	27	81	Vietnam	27	81	USSR	27	81
Burundi	27	81	Peru	27	81	Yemen	27	81			
Cambodia	27	81	Poland	27	81						
Cameroon	27	81	Romania	27	81						
Canada	27	81	Saudi Arabia	27	81						
Cape Verde	27	81	Sri Lanka	27	81						
Chad	27	81	South Africa	27	81						
China	27	81	Spain	27	81						
Colombia	27	81	Sweden	27	81						
Costa Rica	27	81	Switzerland	27	81						
Croatia	27	81	Taiwan	27	81						
Cuba	27	81	Thailand	27	81						
Cyprus	27	81	Tanzania	27	81						
Czechia	27	81	Togo	27	81						
Denmark	27	81	Tunisia	27	81						
Dominican Rep.	27	81	Turkey	27	81						
Dominica	27	81	Uganda	27	81						
Ecuador	27	81	Ukraine	27	81						
El Salvador	27	81	USA	27	81						
Equatorial Guinea	27	81	USSR	27	81						
Eritrea	27	81									
Ethiopia	27	81									
Fiji	27	81									
Ghana	27	81									
Guatemala	27	81									
Haiti	27	81									

Readings at mid-day yesterday.  
C-Celsius D-Degrees F-Fahrenheit S-Sun T-Thunder




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## SECTION II - INTERNATIONAL COMPANIES

# FINANCIAL TIMES

Tuesday August 20 1985

**TAYLOR WOODROW**  
  
 TEAMWORK IN CONSTRUCTION  
 WORLDWIDE

### Holzmann expects reduced contracts

By Our Financial Staff

PHILIPP Holzmann, the West German construction group, says work completed this year could fall to around DM 7.0bn (\$2.54bn) after DM 8.3bn in 1984.

Management board spokesman Hermann Becker told a shareholders meeting that domestic orders in the first seven months fell to DM 1.17bn from DM 1.20bn in the previous corresponding period. Foreign orders on hand, excluding the U.S., fell 13.9 per cent to DM 1.7bn.

The industry continues to be hit by slack domestic demand, tough competition abroad and a fall in building orders from Opec states.

West German construction industry activity for 1985 was likely to fall by 6.0 per cent from 1984, Herr Becker said. Holzmann group net profit for 1984 was DM 42.9m down from DM 48.7m in 1983.

Domestic work completed in the seven months fell to DM 1.1bn after DM 1.5bn in the 1984 period, partly due to the harsh winter. Holzmann said it was no longer possible to offset shrinking domestic demand with increased foreign orders.

Foreign work completed in the seven months, excluding the U.S., fell to DM 800m from DM 1.7bn. Total completed this year should be around DM 1.5bn.

Management board spokesman Hermann Becker told a shareholders meeting that domestic orders in the first seven months fell to DM 1.17bn from DM 1.20bn in the previous corresponding period. Foreign orders on hand, excluding the U.S., fell 13.9 per cent to DM 1.7bn.

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### Ultramar ends plans for asset purchase

By Robert Gibbons in Montreal

ULTRAMAR CANADA will not buy the Quebec and Maritime provinces downstream assets of Gulf Canada, controlled by Olympia & York Developments.

Ultramar had been negotiating for the Gulf Canada refinery in Montreal and several hundred petrol outlets in the Atlantic provinces for several weeks, but said that its offer had been refused. Its talks were held with both Olympia, controlled by the Reichmann family of Toronto, and Gulf Canada itself. A spokesman said the talks are "dead".

Texaco Canada has said it is not interested in the Montreal refinery. Irving Oil of St Johns, New Brunswick, refused to confirm or deny it is negotiating with Gulf.

Ultramar recently upgraded its Quebec City refinery to a C310m (U.S.\$238m) programme. Industry sources had speculated that if it had bought the Gulf Canada downstream assets the Montreal refinery might have faced closure in the short term with its 77,000 barrels daily capacity.

### Insulin group in public issue

By Hilary Barnes in Copenhagen

NORDISK GENTOFTE, the world's third largest producer of insulin, has raised Nkr 129m (U.S.\$13.7m) through a private placement of shares in the UK and Denmark.

Announcing the amount, the company said it planned to make a public issue in 1988, when it will seek a listing on the Copenhagen Stock Exchange.

Until last year Nordisk was a self-owned foundation and was thus prevented from raising risk capital by means of a share issue. It was reorganised in 1984 with a view to a subsequent stock exchange launch.

About 75 per cent of Nordisk's sales are from insulin. Total sales have doubled since 1981, and last year saw the bulk of this rise with a 38 per cent increase to Nkr 694m.

### K mart blames retail slump for sharp fall in income

By William Hall in New York

K MART, the second largest retail chain store in the U.S. yesterday reported a 49.2 per cent drop in second-quarter net income to \$78.4m, or 56 cents a share.

The company has made a number of major acquisitions in the past 12 months.

It attributes the sharp fall to general weakness in the retailing industry and a 1.5 per cent decline in year-to-year sales at the company's K mart discount stores. Also net interest charges jumped from \$19.1m to \$46.1m in the latest quarter, reflecting the financing costs of acquisitions.

The latest profits compare with \$144.4m or \$1.11 a share a year ago, and the profit for the first six months of the current fiscal year to \$133.3m or \$1.04 a share, against \$202.4m or \$1.58 K mart shares shed 34 to 33% in early trading

yesterday on the New York Stock Exchange.

K mart's total sales in the second quarter rose 8.1 per cent to \$5.46bn and for the six months they rose by 13.2 per cent to \$10.44bn. If new store openings are excluded, sales in comparable K mart stores rose 3.8 per cent in the first half of the year. In the first quarter they were up 10.2 per cent.

The company had warned in February that its fourth-quarter earnings were going to be below expectations, ending 24 years of unbroken growth in quarterly earnings. At the time it blamed "an industry-wide overstocked condition" which had led to massive clearance sales throughout the entire country, and forced greater markdowns on goods than expected.

Mr Bernard Fauber, K mart chairman, warned yesterday that

"the third quarter will most likely be a continuation of the second quarter." However, he expects the pace of sales and earnings to improve in the all-important fourth quarter, which normally accounts for around a third of the group's annual sales and half its net income.

Last year K mart acquired Waldbaums, the biggest bookstore chain in the U.S., pay less drugs Northwest, a large drug store chain, and Builders Square home improvement centres. It estimated that these investments would add \$2bn to its annual sales of \$21.1bn. The company announced at the start of 1985 that it planned to open 200 new stores in the current financial year, over half of which were expansion of the recent acquisitions.

The company said yesterday that during the second half of 1985 it expected to open around 91 units.

### Washington Post moves into cable TV with \$350m buy

By William Hall in New York

THE WASHINGTON POST Company, the newspaper, magazine and broadcasting group, has agreed to buy Capital Cities' cable TV operations for \$350m in cash, in a major diversification move.

Mrs Katharine Graham, chief executive of the Washington Post, says that the acquisition will give her company a major stake in cable TV. "After more than a decade of substantial investment, we believe the industry is in a position to deliver the kinds of returns that have been forecast for years."

Capital Cities' cable TV division had revenues of \$76.3m in 1984 and operating income of 2.5m. The system has 350,000 subscribers in 15

midwestern, western and southern states.

Capital Cities is selling its 53 cable TV stations, to comply with regulatory restrictions on the common ownership of cable TV stations following its \$3.5bn takeover of American Broadcasting Companies. It has said that it will also have to sell four TV stations, 15 radio stations and a daily newspaper in order to win federal approval for the ABC takeover. It expects to raise more than \$10m from these sales.

Two of Capital Cities' 53 cable TV stations, situated in Plymouth and Saline, Michigan, will not be included in the purchase because the Washington Post already owns an NBC affiliate TV station in Detroit, Michigan.

The acquisition is a big step for the Washington Post which last year had net income of \$135.2m on revenues of \$940m. Last year it earned 19.40 per share and in the first six months of 1985 its earnings were 70 per cent ahead at \$4.30 per share.

The acquisition will be financed by borrowings. The Washington Post estimates that first year dilution will be in the range of \$1.85 per share.

### Increased bid launched for Evening News

By Our Financial Staff

TWO HOLLYWOOD producers, Mr Norman Lear and Mr A. Jerrold Perenchio, have raised their bid for the Evening News Association, the privately held Detroit media group, from \$1,000 per share to \$1,250.

The new bid values Evening News at \$500m compared with \$450m previously, and will expire on August 30 unless extended. The offer has also been amended to change the obligation on L.P. Acquisition, a subsidiary of the two producers' L.P. Media, to buy shares. This will now depend on about 51 per cent of the Evening News shares being properly tendered.

The sharp increase in the bid terms was not entirely unexpected, as Wall Street had seen the company as being put "into play" by the original bid on July 29. It is believed that other media companies have expressed interest in Evening News, which is seen as undervalued.

The company publishes the Detroit News, other newspapers, and also owns five television and two radio stations. Messrs Lear and Perenchio implied in their prospectus for the original bid that their interest lay in the TV stations, which could provide a vehicle for their programming talents.

### Baldwin settles on tax bill of \$457m

By Our Financial Staff

BALDWIN-UNITED, the U.S. financial services group operating under Chapter 11 of the U.S. Bankruptcy Code, has settled about \$457m in estimated claims by the U.S. Internal Revenue Service for income taxes allegedly owed by Baldwin and its subsidiaries.

The company said that the settlement "eliminates one of the major obstacles to Baldwin's reorganisation." Baldwin filed for Chapter 11 in 1983 after an over-ambitious diversification into financial services, particularly the annuity business.

Under the deal with the IRS, Baldwin said it agreed to pay \$50m to the Government at the time of its first distribution to creditors as part of a reorganisation plan.

The company added that certain limits would be placed on its net operating loss carryforwards, and Baldwin would share with the IRS part of the benefits of any net operating loss carryforwards after consummation of its reorganisation plan.

The settlement is subject to approval by the Bankruptcy Court, to which the company is expected to file its reorganisation plan this week.

### Impala makes provision

By Kenneth Marston, Mining Editor

SOUTH AFRICA's Impala Platinum Holdings has had to make provision for a further stock loss in its results for the full year to June 30. At half-time the company announced a stock loss of R34m (\$14.2m) on purchases of metal made to meet customer requirements. That loss is increased to R50m for the full year.

It comes after large "opportunity losses" resulting from the forward sale of some 30 per cent of the company's foreign exchange revenue from platinum sales "at less favourable rates than could subsequently have been obtained."

As forecast, profits before tax are lower than in 1983-84 at R234.2m against R268.7m.

### EUROBONDS

## D-Mark market wins attention

By Maggie Urry in London

THE D-MARK market was the central attraction in Eurobonds yesterday. Following the central bank's interest-rate cuts last week two borrowers launched deals with 64 per cent coupons - the lowest for public issues since the late 1970s.

Late in the day Daiwa launched another dual-currency issue for Mortgage Bank of Denmark, raising Y200m. This also has a 10-year life but pays a 74 per cent coupon and is issued at par. Redemption will be at an exchange rate of Y194.93 to the dollar.

Both the European Community and Finland are borrowing DM 150m at this low coupon rate. The EEC is looking into the rate for 12 years and Finland for 10. Deutsche Bank led the EEC deal, and Dresdner Bank the Finnish issue, both being priced at 99.

Demand for the paper was so great that both deals were trading above their issue prices soon after the launch. Syndicate managers noted strong demand from Swiss investors, and the discount prices were considered attractive as most D-Mark issues are now trading above par. The deals inspired the rest of the D-Mark sector, and traders reported hectic activity with

BNF Bank bond coverage			
Aug 19	High	Low	Previous
104.624	104.624	104.772	104.772
104.624	104.624	104.772	104.772

prices gaining 1/4 to 1/2 point in places.

By contrast the Eurodollar bond market was at a virtual standstill. Dealers reported little or no retail interest, and prices were marked up by around 1/4 point at the opening to catch up with the late rally in New York on Friday night. No new deals were launched.

Deutsche Bank Capital Markets, the new London operation of Deutsche Bank, made its debut as a lead manager yesterday. In the past deals have been syndicated from Frankfurt. The issue is an Australian dollar deal raising A\$30m for Industriekreditbank, the West German bank which specialises in medium-term lending. It is publicly owned, with the major German banks and insurance companies and industry large stake holders.

The bonds have a five-year life and pay a 12 1/2 per cent coupon. Issue price is 100% and fees total 2

per cent. It is expected that a large part of the issue will be placed in Germany. The deal was launched too late to trade actively.

Ford Motor Credit is again making a dual-currency Euroyen issue, only three weeks after its first deal. This is for Y250m and comes on similar terms to the earlier issue. Redemption will be in U.S. dollars at an exchange rate of Y208 to the dollar after 10 years. The coupon, payable in yen, will be 8 per cent. Issue price is 100%, and once again Daiwa Europe is lead manager. With the swaps on these deals providing very cheap funds Ford must have been keen to repeat the exercise.

The earlier issue, like most of the recent Euroyen dual-currency deals, is quoted bid at a 2-point discount - equal to the gross fees.

In the guildler Euronote market Wessanen, the food manufacturing group, announced a F150m private placement of five-year bonds. This is the company's first Eurobond issue. The coupon was set at 84 per cent and issue price at 99% by AmRo Bank.

The Swiss franc foreign bond market was quiet but with a firmer tone. Some prices gained up to 1/4 point.

### Hewlett profits dip 13% to \$117m

By Terry Byland in New York

HEWLETT-PACKARD, the U.S. electronics and computer manufacturer, has returned a reduced sales growth rate for the third quarter following a significant slowdown in international business, especially in Europe.

Net earnings dipped by 13 per cent to \$117m or 45 cents a share in the quarter, continuing the slide seen in the first half of the year. Sales, at \$1.6bn, were 3 per cent up, but this contrasted with gains of 20 per cent and 10 per cent in the first and second quarters respectively.

Orders in non-U.S. markets tumbled by 20 per cent to \$573m in the quarter, continuing the decline anticipated, according to Mr John Young, president and chief executive of the company, which is based in Palo Alto, California. U.S. orders, 7 per cent down at \$905m, remained flat, said Mr Young, adding that any forecast of an upturn would be "premature."

At the nine month stage, Hewlett's earnings are 5 per cent off at \$362m or \$1.48 a share, while revenues are 11 per cent ahead at \$4.5bn. International orders for the nine months are 4 per cent up at \$2.1bn, and U.S. orders down 2 per cent at \$2.7bn.

The setback in international sales in the third quarter, while not entirely unexpected, is a serious disappointment for the group, where profits were still rising sharply at the beginning of the fiscal year, on the back of a strong performance in non-U.S. markets. In the first quarter, foreign orders jumped by more than 20 per cent to \$795m, spurring earnings ahead by 17 per cent.

In fiscal 1984, ending October, Hewlett reported earnings of \$547m or \$2.13 a share, after eliminating a one-time tax gain of \$118m, on sales 28 per cent ahead at \$6bn.

### Squeeze on margins reduces first half earnings at DSM

By Laura Raun in Amsterdam

SQUEEZED PROFIT margins sent earnings of DSM, the Dutch state-owned chemicals company, tumbling 27 per cent to F1 212m (\$88.4m) in the first half compared with F1 289m a year earlier.

Sales rose 11 per cent to F1 13.9bn in the first six months from F1 12.5bn, aided by higher export and prices, with all divisions posting higher turnover.

DSM reiterated its forecast that net income for all of 1985 would fall to match last year's record level of F1 463m, and forecast that it would amount to between F1 350m and F1 400m. The cyclical sensitivity of DSM's product mix will leave margins between sales prices and raw materials costs under pressure, notably in plastics, the Hoechst-based company said.

Mr Loek Lijst, director of financial and economic affairs, told a press conference he was satisfied with the first half results. He said that a return of between 15 and 16

per cent was reasonable and likely to be achieved this year.

DSM has launched a programme to shift its product mix away from especially cyclical products such as bulk chemicals and toward fine chemicals, advanced plastics and super strong fibres. Up to F1 1.8bn may be spent in the coming decade to develop these specified areas and withdraw from less profitable activities.

The expected decline in profits this year could dampen recent enthusiasm about privatising DSM, which is wholly government owned but run as a private concern, without operating subsidies. The Dutch finance and economics ministers have both suggested that DSM ought to be put into private hands, although the company itself has expressed reservations about such a move. Investors would be likely to balk at DSM's erratic performance in recent years, with a F1 188m loss in 1982.

### Pioneer Electronic fails to break out of red

By Our Financial Staff

PIONEER ELECTRONIC, the Japanese maker of audio equipment, failed to regain profitability in the third quarter to June, despite a recovery in sales.

The company, which has been in the red throughout the current year, yesterday reported a consolidated net loss for the latest three months of Y138m (\$383,000) compared with earnings of just over Y1bn in the same period of 1984.

Sales grew 7 per cent to Y80.88bn against Y75.88bn, due to what Pioneer described as a domestic recovery in demand for audio equipment

and the popularity of its video products.

Sales of these were also strong in Europe and the U.S., although U.S. demand for video discs had stalled unexpectedly.

At the same time prices of audio products remained under pressure, while the costs of marketing new products also had to be borne.

Overseas sales accounted for 59 per cent of the total, a decline from the 62.7 per cent level reached in the corresponding quarter last year.

For the first nine months, Pioneer's net deficit totalled Y328m against 1984 earnings of Y3.56bn.

### Rabobank fails to match rivals

By Our Financial Staff

RABOBANK, the big Dutch co-operative bank, reports modest progress for the first half of 1985 with net earnings improving by 5 per cent to F1 333m (\$107.4m).

The bank has been held in check by slow growth in loan volume, and its results compare unfavourably with those from a number of rivals, notably ABN and AmRo Bank.

Loan volume for the six months rose by 3 per cent and total revenue rose to F1 2.07bn, against F1 2.03bn for the first half of 1984. Interest income eased to F1 1.74bn from F1 1.75bn.

The bank's interim performance has been bolstered by reduced bad debt provisions. For the half year these are F1 275m, a decline of almost a fifth on the F1 338m of a year earlier.

Rabo said the limited increase in loan volume reflected slow growth in loans to private individuals and home mortgages. The volume of commercial loans was higher.

The bank derives about 50 per cent of revenue from mortgages and other private loans.

Last week AmRo Bank raised half-year net profits by 40 per cent while at ABN earnings rose by 18 per cent. Both banks increased their interim dividends.

### Thrift closes operations

THE FEDERAL Home Loan Bank has closed Montana Federal Savings Bank in Kalispell, and Federal Savings and Loan Insurance will pay off approximately \$28.8m in insured accounts.

The Montana thrift was closed after it was found to be insolvent and efforts to find a merger partner failed.

AP-DJ

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July, 1985

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CITICORP 4/5/88	30.00	32.00	427	8.14 3.77 1.93
CITICORP 20/1/87	44.00	48.00	427	20.81 2.48 8.40
DOWA MINING 20/7/80	12.50	13.50	338	12.53 8.80 6.36
FUJIKURA CABLE 26/4/88	8.50	10.00	328	30.39 8.09 3.76
HAKUBA GUMI 1/11/88	11.00	12.50	350	34.91 8.95 5.02
I.B.E. 28/4/88	8.50	8.50	338	42.35 8.10 4.86
JUSCO 22/12/88	79.00	83.00	847	22.48 1.82 12.35
KAWABATA 15/2/88	11.50	13.00	375	8.46 7.92 1.19
KUMORI PRINTING 20/12/88	14.50	16.00	2,100	12.35 6.72 1.84
MARUZEN 12/2/88	9.50	11.00	467	38.44 8.14 4.36
MINIABA 20/2/88	29.00	30.50	635	2.18 4.14 0.78
MIT CHEMICAL 20/1/87	82.00	97.00	480	34.12 1.48 23.08
MIT CORPORATION 5/11/88	45.00	48.00	705	2.18 4.14 0.78
MIT GAS & CHEM 20/3/88	17.00	18.50	384	1.41 6.06 0.23
MITSUBI 15/1/88	11.50	13.00	188	13.14 7.61 1.73
MITSUBI 18/1/87	24.00	26.00	168	7.38 4.76 1.28
MIT METAL 10/2/88	79.00	83.00	683	25.51 1.75 14.58
MIT METAL 10/1/88	18.50	18.00	683	20.52 6.84 1.70
MIT PETRO 15/2/88	28.50	28.00	398	20.23 4.12 4.91
NISSAN 20/2/88	14.50	16.00	775	16.28 8.16 1.44
NISSAN 15/2/88	13.50	15.00	278	16.82 6.88 2.42
NOHRI 15/2/88	14.50	16.00	1,250	10.22 1.40 28.81
OHYAYASHI GUMI 5/4/88	68.00	70.00	419	2.88 2.24 1.28
OHYAYASHI 21/3/88	9.50	11.00	1,340	89.88 5.88 17.53
ONODA CEMENT 10/4/88	30.00	33.00	342	2.11 3.88 0.53
ONODA CEMENT 25/2/88	21.00	23.00	342	24.27 4.76 5.08
OPTIC 24/1/88	18.00	18.00	820	10.22 1.40 28.81
OSAKA TRADING 28/1/88	13.00	15.00	438	33.12 6.15 5.38
REKON 24/1/88	10.00	11.00	352	17.84 8.88 2.03
RYOBI LTD 25/2/88	10.00	11.00	352	17.84 8.88 2.03
SEIYU STORES 17/5/88	84.00	89.00	240	35.88 7.78 13.53
SEIYU STORES 20/2/87	88.00	88.00	240	35.88 7.78 13.53
SONY CORP 24/4/88	18.00	20.50	3,770	41.02 4.48 9.22
SUNMI CORP 24/4/88	15.00	16.00	298	3.39 5.54 0.81
SUMI HEAVY 24/2/88	15.00	16.00	298	3.39 5.54 0.81
SUMI HEAVY 24/2/88	15.00	16.00	298	3.39 5.54 0.81
TOKYO ELECTRIC 14/3/88	8.00	10.50	350	86.42 6.27 10.80
TOKYO SANYO 6/6/88	148.00	164.00	612	78.16 0.94 83.36
TOKYO CORP 20/7/80	68.00	67.00	814	3.00 2.53 1.13
TOKYO DEPT 5THS 20/7/80	22.50	24.00	980	10.43 4.89 2.13
TOYOTA 8/5/87	15.00	20.50	558	8.56 1.48 1.28
TOYO ENG 28/5/88	52.00	58.00	688	53.21 1.81 29.41
YAMAMOTO GLASS 8/5/80	11.00	12.50	688	18.14 2.25 2.14
YAMATO KOGYO 29/1/80	11.00	12.50	678	20.08 8.04 2.80

Reuters Monitor DAB/10/11/1 - Further information from:  
Freely Global or Security City on 01-348 8200  
Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD



**Malayan Banking  
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Negotiable Floating Rate Dollar  
Certificates of Deposit due 1987 Tranche C

In accordance with the provisions of the Certificates,  
notice is hereby given that the rate of interest for the  
period from 20th August 1985 to 20th November  
1985 has been established at 8 1/2 per cent per annum.  
The interest payment date will be 20th August 1985.  
Payment, which will amount to US \$3,350.69 per  
Certificate, will be made against the relative  
Certificate.

Agent Bank

**Bank of America International Limited**



**Electricité de France**

**US\$300,000,000 Floating Rate Notes due 1997**  
with Warrants permitting exchange of Notes for  
ECU-denominated 9 1/4% Bonds due 1995

Notes and Bonds unconditionally guaranteed by  
**THE REPUBLIC OF FRANCE**

For the period  
12th March 1985 to 16th September 1985 the interest  
amount will be US\$43.85 per US\$10,000 note, payable  
on 16th September 1985.

Bankers Trust Company, London  
Agent Bank

## INTL: COMPANIES & FINANCE

# Bank to write off Y64bn on Sanko

BY CARLA RAPOPORT IN TOKYO

THE Long-Term Credit Bank of Japan, one of Japan's largest banks and a main creditor of the collapsed Sanko Steamship group, expects to write off as much as 80 per cent of its Y80bn (\$338m) secured loans to Sanko.

Mr Masayasu Kan, deputy president of LTCB, said in an interview the write-off would be the largest in the bank's history. Mr Kan said the loans had been secured against Sanko's ships, both tankers and bulk carriers. These ships, however, are now expected to be valued at no more than a fifth of original worth because of the dramatic plunge in the world shipping market and the excess numbers of ships worldwide.

Nonetheless, Mr Kan stressed, the LTCB intended to maintain its interim dividend for the financial period which ends next month, when the write-offs of up to Y64bn will be taken. These would be covered out of the bank's hidden reserves, which he described as "large."

Hidden reserves are largely composed of equities bought years ago but valued at their purchase price, rather than their current value.

Sanko, the world's largest tanker company, last Tuesday filed for court protection under Japan's corporate rehabilitation laws, with about Y520bn in balance-sheet debt and a similar sum estimated in future liabilities. Whether Sanko will emerge from the court proceedings in a new, slimmer form, or simply go into liquidation, will not be known for two or three months.

Until then, Sanko's future is heavily dependent on receiving emergency funds from the banks to prevent the seizure of its ships at world ports for non-payment of fuel costs and port fees.

Mr Kan said Sanko's main creditors, which include Daiwa and Tokai banks, will meet this week to discuss the issue of emergency cash-flow funds. He stressed, however, that the possible reconstruction of Sanko

was not only dependent on the banks, but also the cargo owners, owners of ships which Sanko had chartered and the Japanese Government.

The Government, he said, could request the ship and cargo owners to help Sanko. "We believe we have to co-operate as much as possible [with Sanko]. Unfortunately, there are many unknown factors, such as the possibility that cargo owners will stop entrusting their goods to Sanko. This can't be known."

Mr Kan admitted, however, that it was a kind of "chicken and egg" situation, with the company's future dependent on the cargo contracts and the cargo contracts dependent on the bank's immediate support.

Either way, some of Japan's largest trading companies and shipbuilders stand to sustain large losses over Sanko's collapse. In Sanko's 1982 scheme to build 125 fuel-efficient bulk carriers, leading Japanese trading companies Heavy Industries also have unfinished ships on their yards.

finance of the ships and then let Sanko charter and operate them. Many of these chartering contracts are now expected to fail, with the ships reverting to the trading houses.

Some of the trading companies have strong links to shipping companies, such as Mitsubishi with NYK and Sumitomo with Mitsui O.S.K. These trading groups could push the bulk carriers on to their affiliated shipping groups in return for other favours. But Marubeni and Nichimen, for example, have no shipping connections and may be stuck with operating the ships, selling them, or defaulting on their loans and allowing them to revert to the bank or leasing company which financed their purchase.

As for shipyards, Ishikawajima-Harima Heavy Industries (IHI) has 12 unfinished ships, while Mitsubishi Heavy Industries has eight. Mitsui Engineering & Shipbuilding also have unfinished ships on their yards.

## Singapore shiprepairers to cut capacity

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S four largest shiprepair companies — Keppel Shipyard, Sembawang Shipyard, Jurong Shipyard and Hitachi Zosen Robin Dockyard — have agreed to a one-third cut in capacity and will reduce working to 20 days a month.

The agreement was confirmed at the weekend by Mr Lee Kuan Yew, the Prime Minister, and follows a decision by another big yard, Mitsubishi Singapore

Heavy Industries, to pull out of shiprepairing altogether. The decisions are believed to affect up to 90 per cent of Singapore's total 2.4m dwt capacity.

Mr Lee made the announcement in the course of a nationally televised speech during which he roundly attacked the shiprepair industry's management and unions for acting "irrationally" during a period of decline.

Major yards had made high wage awards while their profits were falling, he said. "What is required for survival is some retrenchment plus belt-tightening and cost-cutting for those workers kept on." Management and unions would kill the industry altogether, Mr Lee warned.

The irony of this attack is that two of the yards are state-controlled, while Jurong Ship-

yard has a minority government stake. Hitachi Zosen Robin Dockyard is privately owned.

The shiprepair industry, previously one of Singapore's economic successes, has hit hard times as a result of lower tanker demand following the two world oil crises. In recent months the Singapore Government, which normally allows state sector companies considerable latitude in management, has pressed for greater rationalisation.

## Union Carbide India omits final dividend

By P. C. Mahanti in Calcutta

UNION CARBIDE India, the 51 per cent subsidiary of the U.S. chemicals giant, has omitted its final dividend for last year, although its results show some improvement over 1983.

The company was acting to conserve resources for an impending settlement of claims following the gas tragedy at Bhopal last December. The pesticides plant there, which contributed nearly 9 per cent in 1983 to total turnover and 10 per cent the year before, has been closed under government orders.

Turnover last year totalled Rs 2.3bn (\$192.5m) against Rs 2.1bn, and pre-tax profits rose to Rs 153m from Rs 147.8m.

The net result was lower, however, at Rs 82.1m, compared with Rs 95.2m, because of heavier provisions for depreciation as well as an increased charge. An interim of 5 per cent was paid earlier, against the 15 per cent total for 1983.

The polyethylene unit, which contributed nearly 17 per cent to the total sales figures in 1983, has been sold to Reliance Textiles. Other operations have also been shed.

The company has been relying heavily on its battery products division, accounting for nearly 60 per cent of sales. Competition in this sector is increasing, however.

## Ariadne doubles net earnings

By Michael Thompson-Noel in Sydney

ARIADNE Australia, the Brisbane-based investment company headed by Mr Bruce Judge, saw a doubling of net profits to A\$10.1m (US\$7.1m) for the year to June 30, and is recommending a one-for-eight bonus share issue.

Mr Judge said all divisions had traded profitably. Ariadne's largest recent investment was the A\$80m purchase of a 19.9 per cent stake in Repco Corporation, the industrial group. Interest charges rose from A\$2.7m to A\$3.9m.

## PREMIER GROUP HOLDINGS LIMITED

U.S. \$50,000,000  
Floating Rate Notes due 1989  
NOTICE IS HEREBY GIVEN that the Rate of Interest for the second sub-period on Coupon No. 3 has been fixed at 8 1/2 per cent per annum and that the interest payable in respect of U.S. \$10,000 interest of the Notes will be U.S. \$22.41. The total amount due for Coupon No. 3 due November 20, 1985, will be U.S. \$45,211.  
August 20, 1985 CITIBANK, N.A. (CSI Dept.), Agent Bank

## Six-month profits decline at Overseas Union Bank

BY OUR SINGAPORE CORRESPONDENT

OVERSEAS Union Bank (OUB), the smallest of Singapore's "big four" local commercial banks, yesterday reported group net profits of S\$21.8m (\$9.9m) for the six months to June, down 7.6 per cent from the S\$23.6m figure for the same period last year.

The results were in line with the slowdown in the island state's economy, which showed only 0.8 per cent overall growth in the first half. The other three big local banks — DBS Bank, United Overseas Bank and Overseas-Chinese Banking Corporation — have already reported lower figures.

In June OUB offered 51.2m shares in a one-for-five rights issue at S\$2.50 per share to

raise S\$128m. The purpose was to provide for its continuing growth, and the offer document forecast that profitability in 1985 would not be significantly different from 1984.

A smaller bank, Industrial and Commercial Bank, has meanwhile revealed that the Monetary Authority of Singapore, the island state's powerful bank regulatory agency, has withheld approval for two new directors, both sons of the third wife of the bank's late founder, Mr Tan Chin Keong.

The two were elected by shareholders last month.

The bank itself yesterday reported a 23 per cent decline in net profits for the first half, to S\$8.5m.

## Pegi adjusts value of BTR investment

By Wong Sulong in Kuala Lumpur

PEGI MALAYSIA, the investment company, has written off 48.4m ringgit (U.S.\$19.8m) out of its 110m ringgit investment in Dunlop Holdings of the UK which it exchanged in March for shares in BTR during BTR's takeover of Dunlop.

In a statement accompanying its annual results, Pegi said the amount was written off to reflect a fair value of its investment in BTR.

Pegi announced pre-tax profits of 0.8m ringgit for the year ended March, an increase of 53 per cent, on turnover which fell 8.5 per cent to 27.4m ringgit.

Net profits, however, were only 940,000 ringgit compared with 1.04m ringgit previously.

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## BARCLAYS AUSTRALIA (FINANCE) LIMITED

(Incorporated with limited liability in the State of New South Wales)

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**12 1/2 per cent. Guaranteed Notes due 1990**  
Guaranteed on an unsubordinated basis by

**BARCLAYS BANK PLC**

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The following have agreed to subscribe or procure subscribers for the Notes:

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Dresdner Bank Aktiengesellschaft

Union Bank of Switzerland (Securities) Limited

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Banque Nationale de Paris

Crédit Commercial de France

Daiwa Europe Limited

Genossenschaftliche Zentralbank

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft

Goldman Sachs International Corp.

Merrill Lynch International & Co.

Nederlandsche Middenstandsbank nv

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

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Shearson Lehman Brothers International, Inc.

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Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. Interest is payable annually in arrears in September, commencing in September, 1986.

Listing particulars in relation to the Notes, Barclays Australia (Finance) Limited and Barclays Bank PLC are available in the statistical services of Excel Statistical Services Limited and copies may be obtained during business hours up to and including 22nd August, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 2nd September, 1985 from:

Barclays Merchant Bank Limited

Barclays Australia (Finance) Limited

15/16 Gracechurch Street

28th Floor

London EC3V 0BA

25 Blich Street

Barclays Bank PLC

de Zoete & Bevan

54 Lombard Street

25 Finsbury Circus

London EC3P 3AH

London EC2M 7EE

20th August, 1985

Cazenove & Co.



## INTL. COMPANIES &amp; FINANCE

## Northgate aims to cut debt

BY KENNETH MARSTON, MINING EDITOR

CANADA'S gold and copper-producing Northgate Exploration aims to raise C\$20m (U.S.\$14.8m) through an issue of common shares and gold purchase warrants.

The preliminary prospectus has been filed in Canada and the issue is to be underwritten by a group led by Canadian brokers Wood Gundy and Burns Fry.

The purpose of the fund-raising is to reduce bank debt. At end-1984 long-term debt had been lowered to U.S.\$49m from U.S.\$55m a year pre-

viously. It was still heavy enough, however, for interest charges to outweigh the financial contribution of the profitable Chibougamau, Quebec, mines.

As a result Northgate has incurred a loss of C\$2.02m, or 19 cents per share, in the first half of this year compared with a profit of C\$9.35m in the same period of 1984 when there was the non-recurring benefit of C\$10.09m gains from the sale of investments.

● Campbell Red Lake Mines, Canada's major gold producer, reports second-quarter net income of C\$8.61m compared with C\$7.39m a year ago.

The increase reflects higher gold output as well as improved oil and gas results.

● Dome Mines returned a consolidated second-quarter net income of C\$4.13m compared with a loss of C\$9.36m in the same period of last year. For the first half of 1985 earnings amount to C\$8.09m, or 11 cents per share.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 19.

U.S. DOLLAR	Issued	Old	Change	Yield
Amex Credit 10% 90	100	101 1/2	+ 1/2	8 1/2
Amex Credit 12% 90	100	102 1/2	+ 1/2	8 1/2
Amex Credit 14% 90	100	104 1/2	+ 1/2	8 1/2
Amex Credit 16% 90	100	106 1/2	+ 1/2	8 1/2
Amex Credit 18% 90	100	108 1/2	+ 1/2	8 1/2
Amex Credit 20% 90	100	110 1/2	+ 1/2	8 1/2
Amex Credit 22% 90	100	112 1/2	+ 1/2	8 1/2
Amex Credit 24% 90	100	114 1/2	+ 1/2	8 1/2
Amex Credit 26% 90	100	116 1/2	+ 1/2	8 1/2
Amex Credit 28% 90	100	118 1/2	+ 1/2	8 1/2
Amex Credit 30% 90	100	120 1/2	+ 1/2	8 1/2
Amex Credit 32% 90	100	122 1/2	+ 1/2	8 1/2
Amex Credit 34% 90	100	124 1/2	+ 1/2	8 1/2
Amex Credit 36% 90	100	126 1/2	+ 1/2	8 1/2
Amex Credit 38% 90	100	128 1/2	+ 1/2	8 1/2
Amex Credit 40% 90	100	130 1/2	+ 1/2	8 1/2
Amex Credit 42% 90	100	132 1/2	+ 1/2	8 1/2
Amex Credit 44% 90	100	134 1/2	+ 1/2	8 1/2
Amex Credit 46% 90	100	136 1/2	+ 1/2	8 1/2
Amex Credit 48% 90	100	138 1/2	+ 1/2	8 1/2
Amex Credit 50% 90	100	140 1/2	+ 1/2	8 1/2
Amex Credit 52% 90	100	142 1/2	+ 1/2	8 1/2
Amex Credit 54% 90	100	144 1/2	+ 1/2	8 1/2
Amex Credit 56% 90	100	146 1/2	+ 1/2	8 1/2
Amex Credit 58% 90	100	148 1/2	+ 1/2	8 1/2
Amex Credit 60% 90	100	150 1/2	+ 1/2	8 1/2
Amex Credit 62% 90	100	152 1/2	+ 1/2	8 1/2
Amex Credit 64% 90	100	154 1/2	+ 1/2	8 1/2
Amex Credit 66% 90	100	156 1/2	+ 1/2	8 1/2
Amex Credit 68% 90	100	158 1/2	+ 1/2	8 1/2
Amex Credit 70% 90	100	160 1/2	+ 1/2	8 1/2
Amex Credit 72% 90	100	162 1/2	+ 1/2	8 1/2
Amex Credit 74% 90	100	164 1/2	+ 1/2	8 1/2
Amex Credit 76% 90	100	166 1/2	+ 1/2	8 1/2
Amex Credit 78% 90	100	168 1/2	+ 1/2	8 1/2
Amex Credit 80% 90	100	170 1/2	+ 1/2	8 1/2
Amex Credit 82% 90	100	172 1/2	+ 1/2	8 1/2
Amex Credit 84% 90	100	174 1/2	+ 1/2	8 1/2
Amex Credit 86% 90	100	176 1/2	+ 1/2	8 1/2
Amex Credit 88% 90	100	178 1/2	+ 1/2	8 1/2
Amex Credit 90% 90	100	180 1/2	+ 1/2	8 1/2
Amex Credit 92% 90	100	182 1/2	+ 1/2	8 1/2
Amex Credit 94% 90	100	184 1/2	+ 1/2	8 1/2
Amex Credit 96% 90	100	186 1/2	+ 1/2	8 1/2
Amex Credit 98% 90	100	188 1/2	+ 1/2	8 1/2
Amex Credit 100% 90	100	190 1/2	+ 1/2	8 1/2
Amex Credit 102% 90	100	192 1/2	+ 1/2	8 1/2
Amex Credit 104% 90	100	194 1/2	+ 1/2	8 1/2
Amex Credit 106% 90	100	196 1/2	+ 1/2	8 1/2
Amex Credit 108% 90	100	198 1/2	+ 1/2	8 1/2
Amex Credit 110% 90	100	200 1/2	+ 1/2	8 1/2
Amex Credit 112% 90	100	202 1/2	+ 1/2	8 1/2
Amex Credit 114% 90	100	204 1/2	+ 1/2	8 1/2
Amex Credit 116% 90	100	206 1/2	+ 1/2	8 1/2
Amex Credit 118% 90	100	208 1/2	+ 1/2	8 1/2
Amex Credit 120% 90	100	210 1/2	+ 1/2	8 1/2
Amex Credit 122% 90	100	212 1/2	+ 1/2	8 1/2
Amex Credit 124% 90	100	214 1/2	+ 1/2	8 1/2
Amex Credit 126% 90	100	216 1/2	+ 1/2	8 1/2
Amex Credit 128% 90	100	218 1/2	+ 1/2	8 1/2
Amex Credit 130% 90	100	220 1/2	+ 1/2	8 1/2
Amex Credit 132% 90	100	222 1/2	+ 1/2	8 1/2
Amex Credit 134% 90	100	224 1/2	+ 1/2	8 1/2
Amex Credit 136% 90	100	226 1/2	+ 1/2	8 1/2
Amex Credit 138% 90	100	228 1/2	+ 1/2	8 1/2
Amex Credit 140% 90	100	230 1/2	+ 1/2	8 1/2
Amex Credit 142% 90	100	232 1/2	+ 1/2	8 1/2
Amex Credit 144% 90	100	234 1/2	+ 1/2	8 1/2
Amex Credit 146% 90	100	236 1/2	+ 1/2	8 1/2
Amex Credit 148% 90	100	238 1/2	+ 1/2	8 1/2
Amex Credit 150% 90	100	240 1/2	+ 1/2	8 1/2
Amex Credit 152% 90	100	242 1/2	+ 1/2	8 1/2
Amex Credit 154% 90	100	244 1/2	+ 1/2	8 1/2
Amex Credit 156% 90	100	246 1/2	+ 1/2	8 1/2
Amex Credit 158% 90	100	248 1/2	+ 1/2	8 1/2
Amex Credit 160% 90	100	250 1/2	+ 1/2	8 1/2
Amex Credit 162% 90	100	252 1/2	+ 1/2	8 1/2
Amex Credit 164% 90	100	254 1/2	+ 1/2	8 1/2
Amex Credit 166% 90	100	256 1/2	+ 1/2	8 1/2
Amex Credit 168% 90	100	258 1/2	+ 1/2	8 1/2
Amex Credit 170% 90	100	260 1/2	+ 1/2	8 1/2
Amex Credit 172% 90	100	262 1/2	+ 1/2	8 1/2
Amex Credit 174% 90	100	264 1/2	+ 1/2	8 1/2
Amex Credit 176% 90	100	266 1/2	+ 1/2	8 1/2
Amex Credit 178% 90	100	268 1/2	+ 1/2	8 1/2
Amex Credit 180% 90	100	270 1/2	+ 1/2	8 1/2
Amex Credit 182% 90	100	272 1/2	+ 1/2	8 1/2
Amex Credit 184% 90	100	274 1/2	+ 1/2	8 1/2
Amex Credit 186% 90	100	276 1/2	+ 1/2	8 1/2
Amex Credit 188% 90	100	278 1/2	+ 1/2	8 1/2
Amex Credit 190% 90	100	280 1/2	+ 1/2	8 1/2
Amex Credit 192% 90	100	282 1/2	+ 1/2	8 1/2
Amex Credit 194% 90	100	284 1/2	+ 1/2	8 1/2
Amex Credit 196% 90	100	286 1/2	+ 1/2	8 1/2
Amex Credit 198% 90	100	288 1/2	+ 1/2	8 1/2
Amex Credit 200% 90	100	290 1/2	+ 1/2	8 1/2

## SIEMENS

## Information for Siemens shareholders

## Siemens rides crest of continuing growth

Capital outlays almost doubled - work force up 14,000 - net profit margin at 2.5%

The billing of three major power plant contracts gave a strong thrust to Siemens sales during the period from 1 October 1984 to 30 June 1985, the first nine months of the company's current financial year.

An unabated influx of new orders, a doubling of capital expenditure and investment, and the recruitment of an additional 14,000 employees all point to continuing growth.

## New orders

New orders increased to £10,327m, 13% above last year's third-quarter level. International orders were mainly responsible, rising 19% to £5,426m. This reflects a growth rate more than twice that of German domestic business, which expanded 7% to £4,901m. Above-average gains were recorded by the Power Engineering & Automation Group, the Medical Engineering Group, and the Communication & Information Systems Group.

Despite a slackening of world IC markets, the Components Group recorded a dip of only 4% in new orders as against last year's third-quarter figures.

In £m	1/10/83 to 30/6/84	1/10/84 to 30/6/85	Change
New orders	9,123	10,327	+13%
Domestic business	4,575	4,901	+7%
International business	4,548	5,426	+19%

## Sales

Mainly due to the billing of three nuclear power plant contracts (Gundremmingen C, Grohnde, and Philippsburg 2), worldwide sales rose 38% to £10,442m, with German domestic sales climbing 67% to £5,865m. But even without power plant business, third-quarter sales increased 12% worldwide and 9% in the Federal Republic of Germany. International business rose 12% to £4,577m. Two-figure

growth was recorded by Components, Power Engineering & Automation, Communication & Information Systems, and Medical Engineering.

In £m	1/10/83 to 30/6/84	1/10/84 to 30/6/85	Change
Sales	7,590	10,442	+38%
Domestic business	3,508	5,865	+67%
International business	4,082	4,577	+12%

## Orders in hand

With the billing of the nuclear power plant contracts, orders in hand declined 3% to £14,567m; inventories eased 5% to £4,783m.

In £m	30/6/84	30/6/85	Change
Orders in hand	14,950	14,567	-3%
Inventories	5,017	4,783	-5%

## Employees

The company was again able to increase the number of its employees. Siemens now employs 340,000 people worldwide, 12,000 more than at the beginning of the financial year. Adjusted for the seasonal turnover of temporary student labour and apprenticeship trainees, the comparative increase was as high as 14,000. In the Federal Republic of Germany and Berlin (West) 8,000 additional employees brought the domestic work force to 232,000; 4,000 people were added abroad, making a total of 108,000. An average of 334,000 people were on Siemens payrolls during the period under review, 4% more

than for the comparable period last year. Employment costs rose 12% to £3,654m, due in part to foreign currency influences.

In thousands	30/6/84	30/6/85	Change
Employees	328	340	+4%
Domestic operations	224	232	+4%
International operations	104	108	+4%

	1/10/83 to 30/6/84	1/10/84 to 30/6/85	Change
Average number of employees in thousands	321	334	+4%
Employment costs in £m	3,270	3,654	+12%

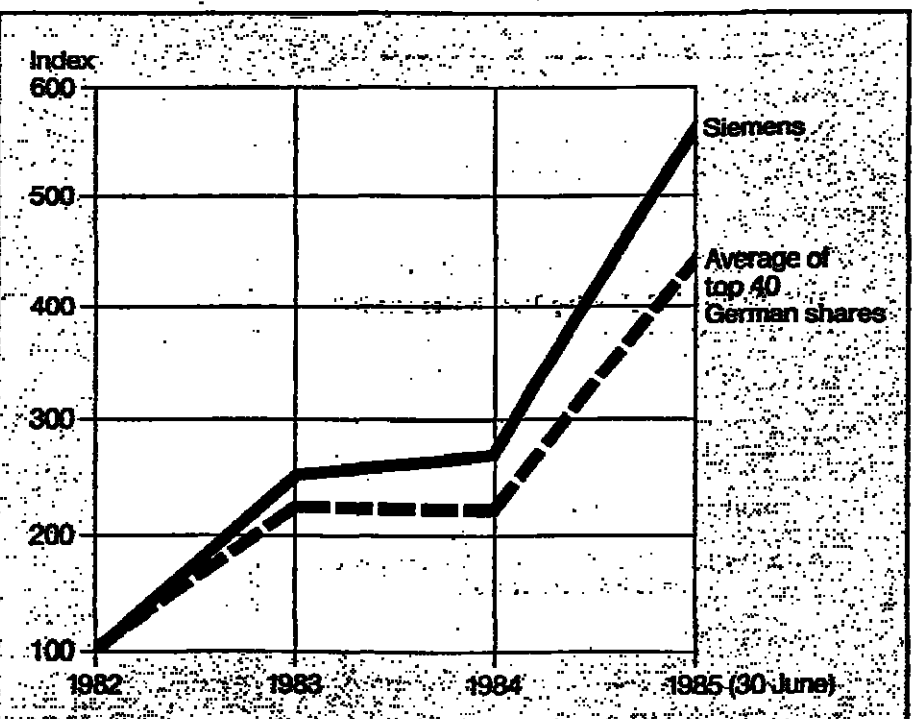
## Capital spending and net income

Siemens increased capital expenditure and investment to £669m, nearly doubling the £346m spent in the first nine months last year. Outlays were focused on the strategic growth sectors of office and factory automation, communication networks, and electronic components. Net income after taxes was £265m (last year £162m), yielding a net profit margin of 2.5%

as against 2.3% for the entire 1983/84 financial year.

In £m	1/10/83 to 30/6/84	1/10/84 to 30/6/85	Change
Capital expenditure and investment	346	669	+93%
Net income after taxes	162	265	+63%
In % of sales	2.1	2.5	

All amounts translated at Frankfurt middle rate on 28/6/1985: £1 = DM 3.958



## Highest trading volume in Siemens shares

In recent years, Siemens shares have recorded the highest volume of sales on the four main German stock exchanges and have continued to be the most traded shares in 1985. At the same time, foreign investors are showing increased interest in Siemens as a progressive and innovative electronics enterprise. Non-German nationals currently account for more than 50,000 of our 400,000 shareholders.

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## PRELIMINARY PROFIT STATEMENT AND DECLARATION OF FINAL DIVIDEND

The unaudited consolidated results for the year ended 30 June 1985 are as follows:

	Year ended 30 June 1985	1984	Per cent change
Consolidated profit	234,217	268,498	-12.8
Less: Taxation and lease consideration	69,800	135,243	-33.6
Profit after taxation and lease consideration	164,417	133,255	+23.2
Transfer to reserve for expenditure on mining assets	61,500	38,000	+61.8
Dividends to shareholders	77,827	77,827	0
Earnings per share (cents)	251	231	+8.7
Dividends per share (cents)	135	135	0

This year's profit was struck after providing for a stock loss of approximately R59 million and after opportunity losses on the forward sale of part of the company's foreign exchange proceeds at less favourable rates than could subsequently have been obtained.

The lower charge for taxation and lease consideration results from an increase in capital expenditure to R91 million (1984: R38 million) largely consequent on a decision to bring forward certain items designed to eliminate process bottlenecks and improve plant efficiencies thereby making the company better able to respond to future increases in demand. The Annual Report will be posted in the second half of September 1985.

Final Dividend declared on 19 August 1985 - Payable on 9 October 1985

Amount per share 100 cents - Currency conversion 1 October 1985

Copies of the full Preliminary Report and Dividend Declaration may be obtained from the London Office, 30 Ely Place, London EC1N 6UA



# UK COMPANY NEWS

## JM signs £277m refinancing deal

BY DAVID GOODHART

Johnson Matthey, the metal refining and chemicals group, whose former banking subsidiary Johnson Matthey Bankers was rescued from collapse by the Bank of England last year, has announced a new refinancing agreement.

The deal, which has been signed with a syndicate of 34 banks, incorporates term and working capital facilities totalling US\$387.5m (£276.7m) which are being made available to the group by way of loans in a variety of currencies and precious metals.

The new three year agreement replaces the larger financing package signed on November 9 which was arranged by Morgan Guaranty, the New York bank.

The term loan of £187.5m (£282m) reduces the group's outstanding indebtedness under the November Interim Refinancing Agreement less £75m which is being repaid on August 31.

The new year working capital facility of £92.2m (£125m), which has been provided by a small group of banks within the syndicate, replaces the £250m made available under the Interim Refinancing Agreement.

The banks involved include: the Bank of Montreal; Citibank; Morgan Guaranty; Trust Company of New York; Royal Bank of Canada; Bank of Nova Scotia; Dresdner Bank; Chemical Bank; Lloyds Bank; National Westminster; and Westpac Banking Corporation.

Commenting on the new financing arrangements, Mr Eugene Anderson, chief executive of Johnson Matthey, said: "The success of our vigorous working capital reduction programme means that our borrowing requirements have been considerably reduced. However, cost reduction, profit improvement and cash generation remain high priorities to reduce debt further."

"The terms of the new medium term financing agreement reflect the improvements in Johnson Matthey's financial position."

The company's annual report, which was sent to shareholders yesterday, states that Johnson Matthey lost £122m as a result of the JMB takeover and also had to make further provisions of £16.5m against the U.S. finished jewellery operations.

In a joint statement by Mr Neil Clarke, the chairman, and



Mr Eugene Anderson, chief executive of Johnson Matthey

and interest for alleged breach of contract and/or negligence in the firm's capacity as auditors and accountants of JMB for the financial years to March 1982, 1983 and 1984.

Johnson Matthey's pre-tax profit for the year to the end of March 1985 was £20.1m on a turnover of £1.49m. It notes extraordinary item losses of £176.5m.

The joint statement also reveals that further business rationalisations and disposals of certain assets are likely in 1985/86 as the debt reduction programme continues.

The terms of the new refinancing agreement are described as more favourable to the company and "reflect recognition by our bankers of the improvements made in the group's financial position and the lower level of finance now required."

On the resignation of Arthur Young, Coopers and Lybrand were appointed as auditors to fill the vacancy for the year to March 31 1985. However, the board will now be recommended that Peat, Marwick and Mitchell and Co. will be appointed the new auditors.

See Lex

## Acquisition boosts Blagden to £3m midway

ON TURNOVER boosted by the acquisition of the European steel drum-making activities of City Investing of New York, Blagden Industries showed an increase in interim taxable profit of 56 per cent.

In the 25 weeks to June 23 1985 turnover rose by £20.32m to £56.15m (£38.82m), of which, £16.23m related to the contribution of overseas subsidiaries acquired from March 1. Group operating profits rose from £1.98m to £3.37m, with £1.48m coming from the new acquisitions.

With net interest charges of £905,000 (£225,000) and the share of losses of related companies £9,000 (£nil), pre-tax profits were up from £1.9m to £2.76m. The interim is being maintained at 3.5p net on the enlarged capital. Last year a total of 7.2p was paid from pre-tax profits of £2.97m.

Mr Ronald Sparrow, the chairman, says that profitability was seriously affected by the appalling weather at the beginning of the year.

The performance of the European container businesses was comparable with the previous

year but affected by non-recurring matters particularly the loss of production at the German plant following a fire. This has been re-equipped and Mr Sparrow says the board remains confident of the longer-term potential in Europe.

The overseas results for the containers division saw pre-tax profits up £1.67m from £229,000, on turnover of £18.88m (£25.56m). In the UK, profits fell from £16.5m to £886,000 on turnover which rose from £13.1m to £13.2m.

The tax charge was £1.2m (£670,000) and with minorities taking £6,000 (£23,000), earnings per share came out at 6.4p against 7.5p last year. There were extraordinary credits last time of £88,000.

Dividends took £1.03m (£502,000), leaving retained profit at £229,000 against £667,000 for the comparable period.

comment

The acquisition of City Investing's European steel drum business may have been an ideal opportunity in Blagden's eyes, not least because it neutralised the potentially threatening stake held by City. Nevertheless that quantum leap was in the opposite direction dictated by perceived wisdom of earlier days when the requirement was to move away from the dependence on a mature, drum sector. Blagden was supposed to be in pursuit of a plastics or chemicals business. Actually that intention burns as bright as ever and a plastics company with good management would be ideal as

## City Site buys James Allan for £4m

City Site Estates, the USM-quoted property investment group, is paying £4.12m for James Allan, a Scottish shoe retailer with stores on 11 sites in Glasgow, Edinburgh and

Falkirk.

City Site has also applied to the Stock Exchange for a full listing with the aim of dealing in its shares, starting on September 18. The company is seeking a higher profile after nearly four years on the USM.

In addition, it intends to raise £12.5m after expenses by means of an underwritten rights issue of one new ordinary share for every two held and two new ordinary shares for every five preference shares held. The new shares will be issued at 85p. City Site's shares fell 5p to 105p yesterday.

City Site forecasts that pre-tax profit on ordinary activities would be not less than £550,000 for the year ending September 30. City Site should pay a final dividend of 0.41p, the same as the increased interim. In the six months ended March, the company made a pre-tax profit of £504,000.

City Site is winding up the shoe retailing business of James Allan and looking for leaseholders for its stores.

City Site has bought 76.8 per cent of Allan and has made a recommended offer to the remaining shareholders. Allan's properties have been valued independently at £2.2m. The bid is successful, Mr Galgey will become chairman and Mr Alan Noble, the present chairman, will become executive president.

Noble and Lund's share price slumped as low as 12p last May, it closed yesterday at 31p, up 1p.

## Galgey bid recommended by Noble and Lund board

BY DAVID GOODHART

THE BOARD of Noble and Lund, the Gateshead-based machine tool company, is recommending to shareholders a 30p a share cash offer from the unlisted Galgey Technical Industries and a syndicate of European private investors.

The takeover bid—which values Noble and Lund at £1.71m—has already been accepted by some of the larger stockholders and directors, holding between

of Debenhams shares before or during the takeover battle, which means that it now speaks for 87.5 per cent of the ordinary shares.

The cash alternative closed on Sunday and brokers to Burton are understood to have placed some 10m Burton shares in the market yesterday in a tidying up of underwritten holdings. The shares were placed at the underwritten price of 445p, while Burton shares closed at 465p, up 10p.

**DIVIDENDS ANNOUNCED**

Company	Current payment	Date of payment	Corr. div.	Total for year	Total for last year
Access Satellite	2	Oct 1	3	—	—
Aspen Comm.	1	Oct 1	3	—	—
Autogamet	3.6	Oct 27	3.6	5.6	5.6
Blagden Industries Int	3.5	Oct 1	3.5	—	7.2
Hickson Intl.	5	Oct 1	4	—	14
Scottish Eastern Int	0.55	Oct 28	3.5	—	1.85
Stock Conversion	5	Oct 1	3.5	7.5	8
Vibroplant	5.7	Oct 14	5	9	8

Dividends shown pence per share net except where otherwise stated.  
\* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

## Vibroplant's return to basics is justified

VIBROPLANT continued its recovery in the second six months following the decision to close its video operation. Taxable profits for the Harrogate-based plant hire company rose by 84 per cent in the period, leaving the figure for the year to the end of March 1985 up by 35 per cent.

On turnover down slightly by £325,000 to £19.68m, pre-tax profit rose from £1.86m to £2.51m. The drop in turnover reflected the closing of the video business. Plant hire turnover rose by 11 per cent from £17.74m to £19.68m.

A final dividend of 5.7p net is being proposed making a total payment of 9p. Last year the final was 5p with a total of 12p.

The directors say that all divisions contributed to the improvement. Greater efficiency and increased turnover resulted in trading margins, better than for some years.

In the U.S., the Florida Hi-Lift Corporation performed satisfactorily and the second location in Orlando generated useful profits and provided extra scope for expansion.

The directors add that further progress was made in reducing borrowings in a period when investment in recent years.

In the first three months of the present year, Vibroplant has been trading above the levels of the previous year. Although uncertainties, such as the winter remains, the directors expect to maintain the improvement for the rest of the year.

"Looking further ahead, we now see greater scope for profitable investment and growth both at home and in the United States, than we have for some time. The group is well placed to make the most of these opportunities," they add.

With a tax charge of £1.13m (£900,000) and minorities taking £14,000 (£13,000), earnings per share at £2.24p (15.15p).

There were extraordinary credits of £108,000 (£416,000) being the profits for the period relating to the continued video activities. That made attributable profits £1.48m (£493,000).

comment

Plant hire is not amongst the more comfortable businesses to be in with the construction industry in its present parlous state, so for Vibroplant to have produced a 35 per cent profit increase says much about its potential when conditions improve. The figures partly reflect the disposal of its video (tube boxes) venture, a disastrous attempt at diversification which Vibroplant is unlikely to repeat; but the group also succeeded in increasing its share of the virtually static and highly competitive plant hire market. It also increased plant utilisation, so cutting overheads, and reduced gearing from 46 per cent to 23 per cent over the year. This year is unlikely to see a further cut in borrowings for the group is embarked on a rejuvenation and expansion of its fleet, but it sees further potential for progress on market share and overheads. A question mark hangs over the size of the market itself—a severe winter could be highly damaging, especially in view of Vibroplant's northern orientation—but, weather permitting, about £2.2m is likely. The shares surged 14p to 160p yesterday on a more realistic assessment of Vibroplant's prospects, but still look cheap on a multiple of 6 after a 42 per cent tax charge.

## Rise in chemicals sales helps Hickson to £7.8m

THE strength of chemical sales enabled Hickson International to lift pre-tax profits to £7.7m in the six months to the end of June 1985 from £5.02m in the same period last year in spite of difficulties in its timber protection business.

Profits from chemicals rose 65 per cent to £4.48m (£2.71m) on turnover of £43.71m (£33.48m), although last year's profits were depressed by a strike at Hickson & Welch, a subsidiary company.

Mr M. Hopley, the chairman, says forecasting the results for the remainder of the year is difficult. He points out, however, that there are still good opportunities for the group's products and that policies are being directed with a view to long-term advancement.

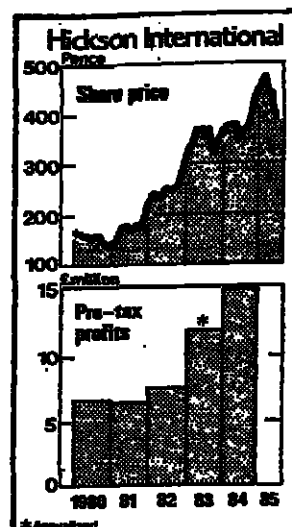
The interim dividend is being raised by 1p to 5p net to reduce disparity of £18.1p was paid previously.

Chemical sales were strong during the first quarter and were still running ahead of last year. More recently, profit margins had been hit by higher raw materials costs which could not be recovered in selling prices of the Deutsche Mark.

Timber protection was hit by the severe winter and the low level of construction. Pre-tax profits fell to £2.45m (£2.6m) on turnover of £18.31m (£18.78m).

Merchant distribution, the group's other main activity, had a good half year, making £512,000 pre-tax (£379,000).

Group turnover for the first half of 1985 rose to £74.89m (£65.59m).



He points out that although chemical exports are still profitable every 10 pence increase in the sterling Deutsche Mark exchange rate reduces profit by about £250,000 a year.

However, he adds that there are signs of a strengthening of the Deutsche Mark and, says if oil prices continue to weaken, raw material price increases may not be so severe.

comment

Hickson's shares fell 10p to 355p yesterday following a grim interim statement. The increase in chemicals profits was wholly expected because the comparable period had been depressed by a strike which must have taken £1m or more off the profits line. And now chemicals is running into margin problems in what is undeniably a cyclical sector. Prices may have held up so far but as the fight for market share intensifies they must give way. But unlike before, when timber treatment profits have come to the aid of sagging chemicals, the timber division has its own problems—namely increased competition and adverse currency movements.

Foreign exchange markets will ultimately decide how Hickson fares this year and even the chairman's own remark that a 10 pence increase in the sterling-D-mark rate cuts £100,000 off annual profits might understate the full effect. The group could make £151m to £16m this year, dropping the p/e to under 84 which may seem a reasonable rating but it is higher than ICI's and for choice ICI looks the better buy.

## Stock conversion tops £20m

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Stock Conversion, the property group in which Stockley, the Jacob Rothschild-backed property company, has acquired a 26.5 per cent stake, yesterday unveiled a full-scale offer for the Inland Revenue on stock relief for earlier years. On a normal tax charge basis, earnings per share rose from 18.84p to 22.31p.

An internal revaluation of the group's investment portfolio—in the 1984 balance sheet at £198m—throws up a £17m surplus and a net asset value per share of 556p. The figure does not include the increased value of Flansbury Court (50 per cent owned) since it was fully let, the development potential of certain properties or of dealing properties held at cost or market value, whichever is the lower.

Mr Harry Norris, chairman, emphasised that the increase in dividend did not form part of any defensive move and said

that Stockley had made no approach for board representation. Any such initiative, he added, would not be welcomed as it would be principally designed to provide Stockley directors with further information on Stock Conversion.

The chairman revealed that, shortly after Stockley acquired its stake in Stock Conversion, the Stock Conversion directors appointed Lazard, the merchant bank, to advise them in the event of any takeover battle.

Mr Jonathan Lane, joint managing director of Stock Conversion, said the group wanted to acquire more property in London, as well as good suburban offices, and additional retail investments. The acquisition of other quoted companies or property portfolios remained a principal objective.

## Low & Bonar takes \$21m U.S. option

Low & Bonar, the Dundee-based packaging, engineering and textile group, said one of its Canadian subsidiaries had acquired a full-scale option for the acquisition of a 79.5 per cent interest in American Packaging Corp for US\$21m (£16m). However, the option is the subject of legal action.

The subsidiary, 75 per cent owned Bonar Inc, has acquired the option from APB-Deleware and it is subject to a minority shareholder's continuing option to acquire from APB up to 9.5 per cent of American Packaging's shares for £1.35m.

A question mark hangs over the APB's interests—a claim denied by APB.

American Packaging is involved in the high quality consumer flexible packaging industry.

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**Over-the-Counter Market**

High	Low	Ass.	Company	Price	Change	Gross Yield	P/E	Fully
151	135	Ass.	Ass. Brit. Ind. CULS	138	—	10.0	7.2	8.8
77	43	Ass.	Airpro Group	47	+1	8.4	13.6	7.8
38	28	Ass.	Amalgamated and Rhodes	38	—	4.3	11.0	4.8
129	108	Ass.	Bardon Hill	157	—	4.0	2.5	10.9
84	42	Ass.	Boy Technologies	83	—	3.9	6.2	7.9
201	158	Ass.	CCL Ordinary	158	—	7.6	3.9	3.7
152	104	Ass.	CCL 11pc Conv. Pref.	104	—	15.7	15.1	—
130	10	Ass.	Carborundum Ord.	128	—	4.9	3.9	6.2
80	53	Ass.	Carborundum 7.5pc Pf.	53	—	10.0	11.8	—
73	46	Ass.	Deborah Services	46	—	6.5	10.3	4.7
487	182	Ass.	Frank Hensell	487	+2	1.4	0.3	11.5
385	170	Ass.	Frank Hensell Pref.	170	—	11.8	3.2	8.7
32	24	Ass.	Frederick Parfery	24	—	—	—	—
74	33	Ass.	George Blair	74	—	—	—	5.9
50	20	Ass.	Ind. Precision Castings	25	—	2.7	11.7	8.3
218	177	Ass.	Iris Group	180	—	15.0	8.3	13.8
124	101	Ass.	Jackson Group	104	—	6.8	5.3	7.0
225	213	Ass.	James Burrough	225	—	15.0	6.4	7.4
84	83	Ass.	James Burrough SpCF	84	—	12.9	14.2	—
26	10	Ass.	John Howard and Co.	26	—	5.0	5.6	6.8
183	100	Ass.	Linguaphone Ord.	183	—	—	—	7.1
100	92	Ass.	Linguaphone 10.5pc Pf.	93	—	15.0	18.1	—
650	300	Ass.	Minihouse Holding NV	570	—	6.9	1.2	24.9
120	31	Ass.	Robert Jenkins	75	+2	—	—	21.4
60	28	Ass.	Suttons "A"	31	—	6.0	6.8	7.9
82	61	Ass.	Torday and Sons	82	—	4.3	1.3	19.6
444	325	Ass.	Trevian Holdings	325	—	—	—	6.5
33	17	Ass.	Uniflow Holdings	33	—	2.7	8.4	9.0
113	81	Ass.	Walter Alexander	113	—	8.6	7.8	8.4
247	204	Ass.	W. S. Yeates	204	-2	17.4	8.6	10.0

Prices and details of services now available on Prestel, page 48146

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## UK COMPANY NEWS

## Access Satellite surges to £1.89m

WITH 1984/85 pre-tax profits up by 37 per cent and further solid progress predicted in the current year Access Satellite International is lifting its dividend 1p above forecast to 3p net, the final being 2p.

Profits for the year, to April 30, 1985, rose from a pro-forma £1.38m to £1.89m pre-tax.

The group, a manufacturer of work platforms for use in construction and civil engineering, came to the USM last November via an offer for sale by tender.

Mr. Martin Wardman, the chairman, says the current year should show further solid progress—sales in the first quarter were substantially ahead of the comparable period last year. He

adds that export activities are continuing to expand and are expected to include sales to new distributors in Canada, Europe and the Far East.

In January of this year Access Satellite commenced a hiring operation in certain areas of the U.S. to supplement its cash sales to distributors there. A material number of machines were hired out to potential distributors shortly before the year end and are expected to be converted into sales in the near future.

Outline agreement has been reached with a major national financial institution for the financing of distributor purchases from Access throughout the U.S.

## ● comment

A cloud of adverse publicity marred the flotation of Access Satellite International last November but the shares nonetheless opened at a premium of 25p on the 160p offer price. The market yesterday was not so indulgent and the shares shed 25p to 130p, promptly fell some what short of the £2.5m some had predicted and investors were miffed at seeing their confidence in the company rewarded with a drop in earnings per share. The company remains one over which some question-mark hangs. The factory has been built on a capacity to produce 60 platforms a week but with an actual output of six.

Net debt today is the same as it was a year ago but in the meantime the £1.8m raised by the flotation has been spent. There are also qualms in some quarters over the way in which 80 of the 157 platforms sold last year were management sales to financial institutions linked in one way or another with Access Satellite. The company's big hopes are pinned on the U.S. market, which is apparently rather more receptive to its novel product than Britain. If sales and hiring contracts snowball as Access Satellite expects them to, £1m could be in prospect this year, putting the shares on a prospective p/e ratio of 12½ after a 40 per cent tax charge.

## Kingsnorth Trust gets £0.5m cash injection

By Charles Batchelor

Bestwood, the investment holding company, is strengthening the management and finances of Kingsnorth Trust, its mortgage loan subsidiary, with the aim of applying to the Bank of England for a deposit taker's licence.

Bestwood began developing a financial services arm following the arrival of Mr Tony Cole, former managing director of Atlanta Investment Trust, as a substantial shareholder and chairman earlier this year.

It is injecting half of the proceeds of its recent rights issue into the company, changing its name to Atlanta Trust and making it part of its financial services division.

Mr Cole has become chairman while Mr Bill Brownlee, formerly a managing director of Cater Allen, the discount house, has become deputy chairman. Two other new board members have been appointed.

Bestwood announced last month that it was buying Kingsnorth and Fleet Services, an engineering company, as well as the fund management and unit trust activities of Atlanta, in a £1.4m deal.

The Bank of England revoked Kingsnorth Trust's licence to take deposits in February, preventing it from taking or renewing any deposits or making new loans. The action was apparently taken out of concern at the trust's connections, since severed, with Kingsnorth Bank, which went into voluntary liquidation in 1984.

Kingsnorth Trust plans to use £200,000 of its new capital to repay its deposits, which will be done by the end of this month, subject to Bank of England consent.

## Rock well ahead at six months and more growth seen

By Charles Batchelor

Supplying traditional metal baskers with spare parts is hardly the most glamorous of growth areas, but when the new management took over a couple of years ago it had the novel idea of operating franchises within the Vanstock wholesale side, and the policy is now coming good for Rock. The Vanstock franchise business accounted for about half of the increase in interim profits, and has another three years of growth before it hits a plateau on returns. The small tools business, on the other hand, has still more potential, especially when coupled with the modern marketing techniques which are promised.

For 1984 Vanstock achieved sales of a little under £500,000. In the first quarter of the current year its sales were almost double those of the previous year's opening quarter.

Group sales for the first six months of 1985 declined from £3.1m to £2.8m. Earnings per 10p share emerged at 0.58p, compared with a previous 0.14p.

Rock recently acquired the business and certain assets of Longford Tools & Distribution from Williams Holdings. The directors say the business acquired both extends the geographical coverage of the small tool division's activities and provides a rationalisation opportunity, where Longford's Birmingham branch is in the process of being merged with that of Irving White, another group business.

A circular regarding the acquisition will be sent to shareholders shortly.

## Aspen lifts profits by 89% to £440,000

Aspen Communications increased pre-tax profits by 89 per cent to £440,000 in the six months to June 30, 1985, compared with £233,000 in the first half of last year in its first results since a USM flotation in April.

Earnings per share increased 83 per cent to 4.32p (2.36p). The interim dividend is 1p, in line with the forecast.

Mr Henry Meakin, chairman of the group based in Cirencester, Gloucestershire, which spans magazines, videos, radio, telephones and computer forms, says overall prospects for the year remain satisfactory.

"Plans for profitable growth are firmly directed with the prospect of appropriate acquisitions playing their part," he says.

Turnover increased to £3.88m (£3.17m). Tax too fell £14,000 (£28,000) and minorities £17,000 (£7,000) giving a net profit of £260,000 (£138,000). After the dividend payment of 16p, retained earnings will be £202,000 (£138,000).

Mr Meakin says the Pensford Press and Penblade magazine printing and publishing division grew slower than planned because of lower second-quarter volumes. But the prospects for the rest of the year are improving, he says, and plans for expansion are complete. Walker Computer Forms performed well and, for the first time, was a significant contributor to profits.

## The Nippon Credit Bank (Curaçao) Finance N.V.

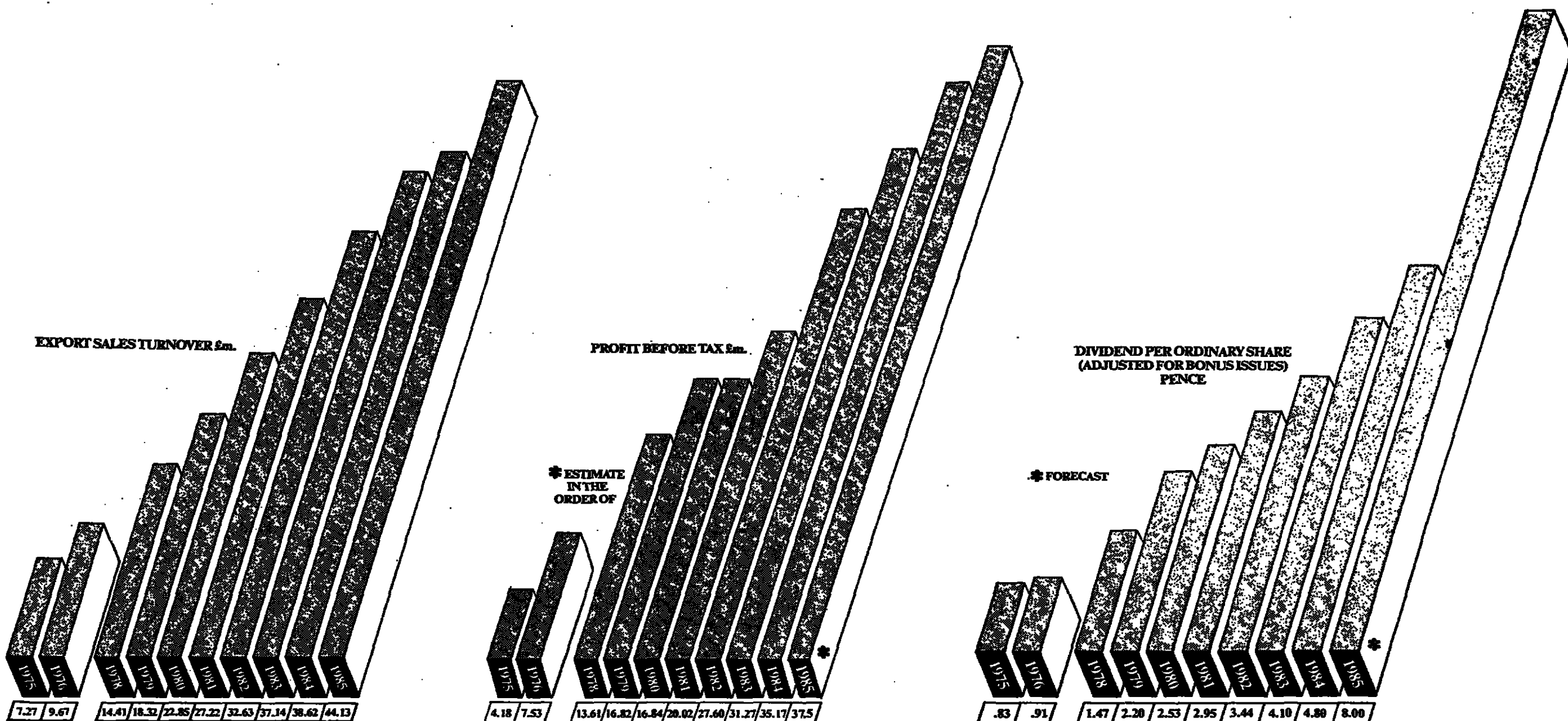
US\$ 100,000,000 12½% Guaranteed Notes due 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 5 (b) of the Notes, US\$ 13,000,000 principal amount of the Notes has been drawn for redemption on the 30th September, 1985, at the redemption price of 101% of the principal amount, together with accrued interest to 30th September, 1985.

The serial numbers of the Notes drawn for redemption are as follows:—

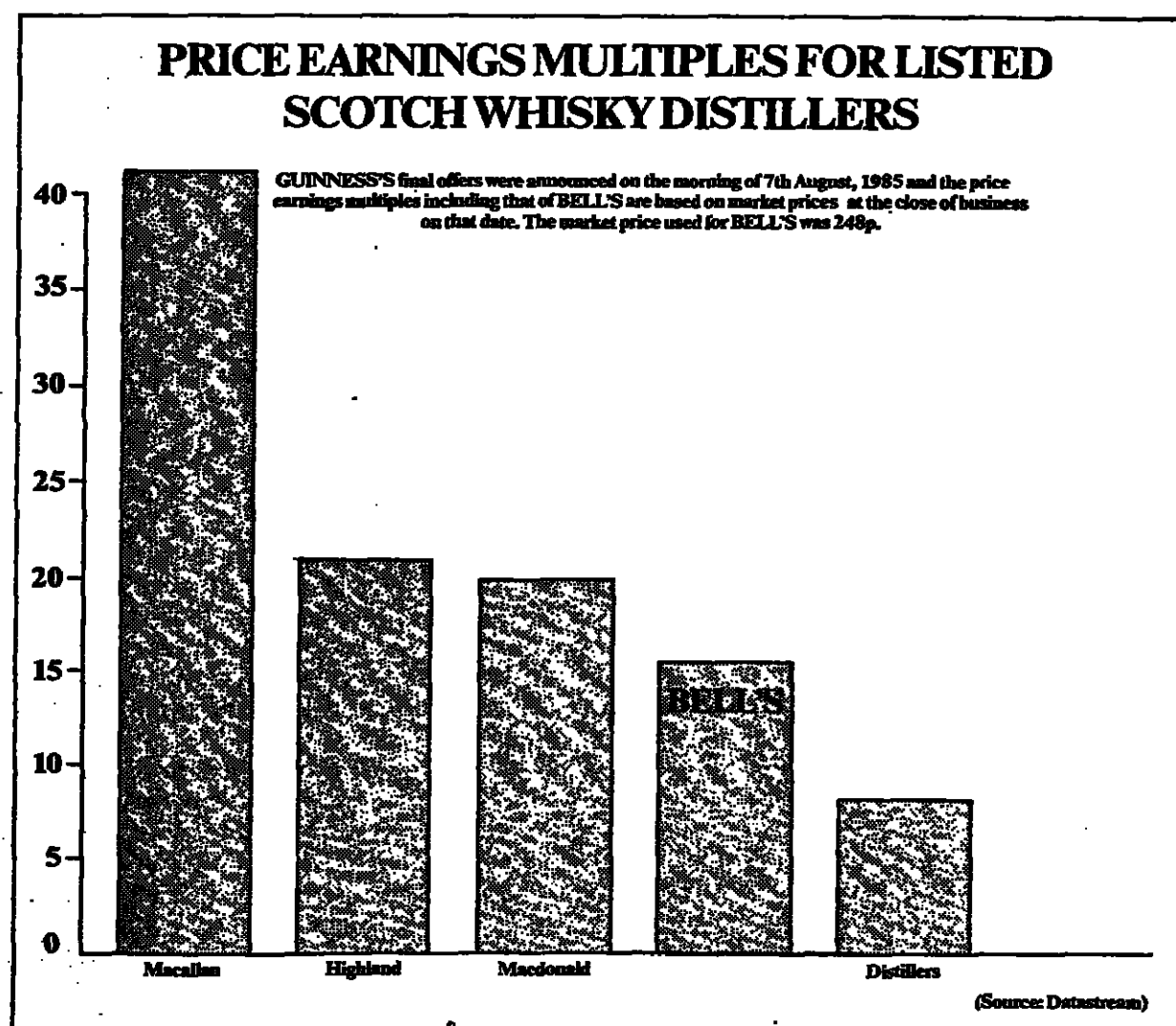
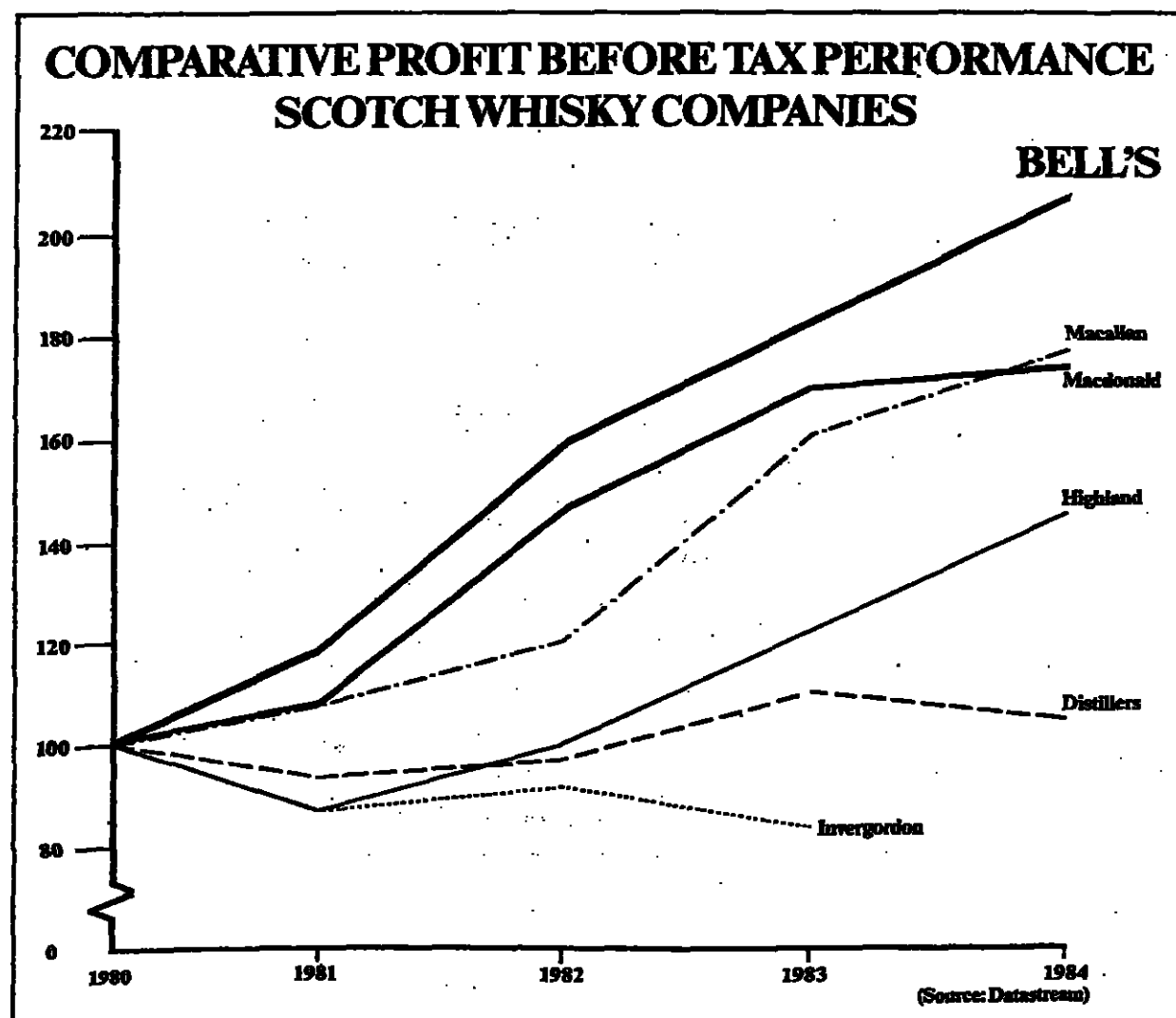
1	881	1750	2772	3765	4703	5635	6705	7707	8930	9994	10922	11902	12934	13973	14961	15845	16905	18202	19093
2	890	1752	2780	3777	4706	5639	6708	7731	8940	9998	10923	11903	12935	13974	14962	15846	16906	18203	19111
3	900	1753	2781	3778	4707	5640	6709	7732	8941	9999	10924	11904	12936	13975	14963	15847	16907	18204	19112
4	910	1754	2782	3779	4708	5641	6710	7733	8942	9999	10925	11905	12937	13976	14964	15848	16908	18205	19113
5	920	1755	2783	3780	4709	5642	6711	7734	8943	9999	10926	11906	12938	13977	14965	15849	16909	18206	19114
6	930	1756	2784	3781	4710	5643	6712	7735	8944	9999	10927	11907	12939	13978	14966	15850	16910	18207	19115
7	940	1757	2785	3782	4711	5644	6713	7736	8945	9999	10928	11908	12940	13979	14967	15851	16911	18208	19116
8	950	1758	2786	3783	4712	5645	6714	7737	8946	9999	10929	11909	12941	13980	14968	15852	16912	18209	19117
9	960	1759	2787	3784	4713	5646	6715	7738	8947	9999	10930	11910	12942	13981	14969	15853	16913	18210	19118
10	970	1760	2788	3785	4714	5647	6716	7739	8948	9999	10931	11911	12943	13982	14970	15854	16914	18211	19119
11	980	1761	2789	3786	4715	5648	6717	7740	8949	9999	10932	11912	12944	13983	14971	15855	16915	18212	19120
12	990	1762	2790	3787	4716	5649	6718	7741	8950	9999	10933	11913	12945	13984	14972	15856	16916	18213	19121
13	1000	1763	2791	3788	4717	5650	6719	7742	8951	9999	10934	11914	12946	13985	14973	15857	16917	18214	19122
14	1010	1764	2792	3789	4718	5651	6720	7743	8952	9999	10935	11915	12947	13986	14974	15858	16918	18215	19123
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19	1060	1769	2797	3794	4723	5656	6725	7748	8957	9999	10940	11920	12952	13991	14979	15863	16923	18220	19128
20	1070	1770	2798	3795	4724	5657	6726	7749	8958	9999	10941	11921	12953	13992	14980	15864	16924	18221	19129
21	1080	1771	2799	3796	4725	5658	6727	7750	8959	9999	10942	11922	12954	13993	14981	15865	16925	18222	19130
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23	1100	1773	2801	3798	4727	5660	6729	7752	8961	9999	10944	11924	12956	13995	14983	15867	16927	18224	19132
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33	1200	1783	2811	3808	4737	5670	6739	7762	8971	9999	10954	11934	12966	14005	14993	15877	16937	18234	19142
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65	1520	1815	2843	3840	4769	5702	6771	7794	9003	9999	10986	11966	12998	14037	15025	15909	16969	18266	

# BELL'S GROWTH CONTINUES IN THE EIGHTIES



NOTE: Years 1975 and 1976 are the twelve month periods to 31st December. Years 1978 onwards are the twelve months period to 30th June.

## DOES THE GUINNESS BID REPRESENT ADEQUATE VALUE FOR THIS SUCCESSFUL SCOTCH WHISKY COMPANY?



Figures used by Datastream are drawn from the published accounts of the relevant companies. Profit before tax used in the graph for each calendar year are taken as being those for the financial year ending in that calendar year restated on the basis that figures for 1980 are 100. Price earnings multiples have been calculated by Datastream using the weighted average number of shares in issue and the profit before tax in the latest published accounts and applying the full tax rate applicable to the relevant year. Information on Invergordon for 1984 is not available on the Datastream database and accordingly its price earnings multiple is not included in the above table.

WE BELIEVE THE ANSWER IS **NO** REJECT THE GUINNESS BID.

This advertisement is published by Arthur Bell & Sons plc whose directors (other than Mr. P.R. Tyrie) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.



# Is the bank that lends you money a leader in currency swaps, too? Bankers Trust is.



Dollars for yen, sterling for guilders, Swiss francs for Deutschmarks. Many of Europe's largest corporations, sovereign entities and banks turn to Bankers Trust for their currency and interest rate swaps.

In the intricate world of currency and interest swaps, Bankers Trust is a universally acknowledged market leader.

In 1984, our team of swaps specialists in New York, London, and Tokyo completed an average of more than one deal every day.

Swaps transactions are one of the most sophisticated investment banking products available to the corporate treasurer today. But we offer even more—leadership in commercial lending, with all of a money center bank's on-balance-sheet strength.

This unusual blend of investment and commercial banking functions is typical of the Bankers Trust brand of banking. We call it "merchant banking." It combines the lending capability and breadth of non-credit services of a commercial bank with the intermediary skills and entrepreneurial spirit of an investment bank.

Our merchant banking skills are not limited to domestic financial services. They extend worldwide.

So they give our clients very real advantages in an increasingly internationalized world of finance. As in currency swaps, where knowledge of and familiarity with world capital markets is absolutely critical.

Our array of merchant banking services is broad and deep. So broad in fact, that many of our clients rarely if ever require the services of other major banks. Among the many services that we provide:

**Trading.** From our regional trading rooms in New York, London, and the Far East, we execute over \$18 billion in money, securities, and currency

transactions daily. Bankers Trust is today one of the five largest primary United States government securities dealers and one of the acknowledged leaders in foreign currency trading.

**Leasing.** Last year, Bankers Trust arranged lease financing of \$2.5 billion in equipment value of big ticket transactions. And for two straight years, we've arranged more leveraged leases than any other financial institution.

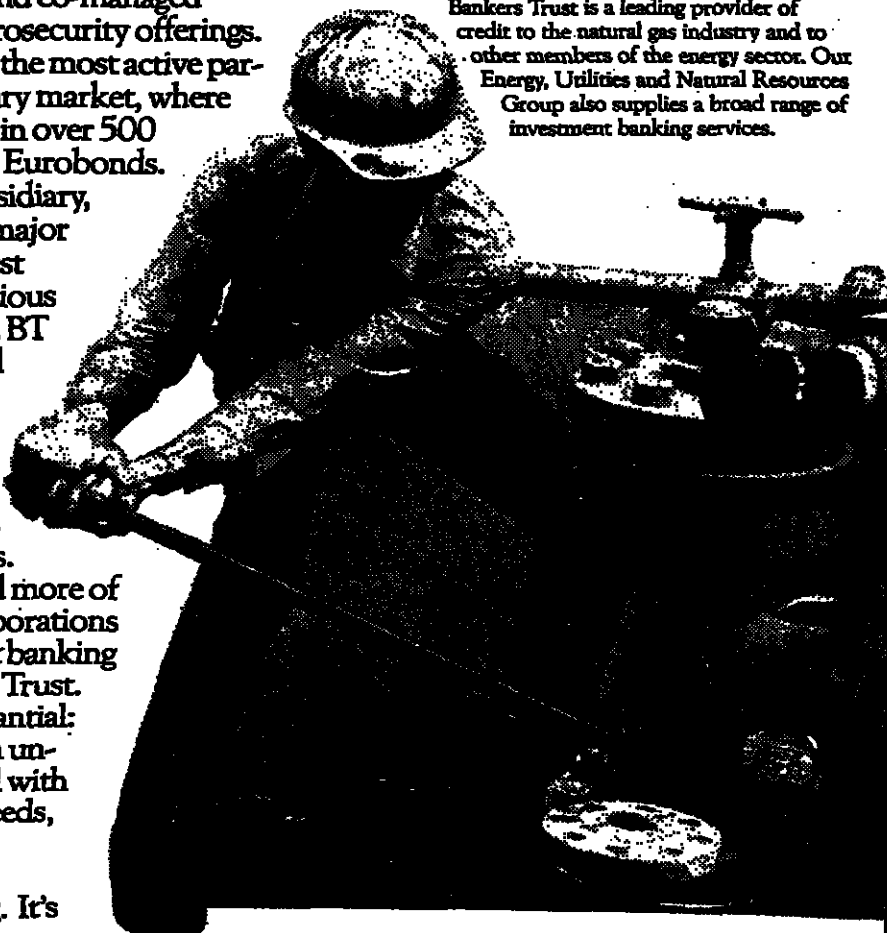
**Eurosecurities.** In 1984, we lead-managed \$2.2 billion and co-managed \$15 billion more in Eurosecurity offerings. Bankers Trust is one of the most active participants in the secondary market, where we are a market-maker in over 500 fixed- and floating-rate Eurobonds.

**Futures.** Our subsidiary, BT Futures Corp., is a major participant in the interest rate, currency, and precious metals futures markets. BT Futures Corp. executed over \$400 billion in contracts in 1984.

No bank—commercial or investment—offers its clients a wider range of services. Which is why more and more of the world's leading corporations are turning to merchant banking as practiced by Bankers Trust. Its advantages are substantial: worldwide expertise, an unsurpassed ability to deal with interrelated financial needs, and to offer unbiased financial advice.

**Merchant banking.** It's ideally suited to today's complex corporate banking needs. If you'd like to join the long list of clients now taking advantage of merchant banking, come to the bank that provides it: Bankers Trust.

Bankers Trust is a leading provider of credit to the natural gas industry and to other members of the energy sector. Our Energy, Utilities and Natural Resources Group also supplies a broad range of investment banking services.



## Bankers Trust Company

Dashwood House 69 Old Broad Street London

Merchant banking, worldwide.

Phoenix, a Greek company, carried on business in London. The only authorisation it had under the Insurance Companies Act 1974 was for "marine

assured. To that end insurance companies were subjected to supervision and regulation, and they carried out unauthorised business they suffered criminal penalties.

It was not suggested that the original assured were anything other than wholly innocent. What the plaintiff was enforcing was not the primary obligation of performance, but the secondary obligation to pay damages.

For the Treasurers: David Johnson QC, Murray Pickering QC and David Owen (Peter Carter-Ruck and Partners and Thomas Cooper and Stubbard).

By Rachel Davies  
Barrister

1. <b>Trade</b> .....	62.2
2. <b>Govt. &amp; P.A.</b> .....	62.2
3. <b>Other High Income</b> .....	62.4

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**METALS SURVEY**  
Publication Date: October 15, 1985  
Copy Date: October 2, 1985

The Financial Times intends to publish a Survey on the Metals Market. Subjects which will be discussed include pricing and exchange rate fluctuation, options and managed funds. The role of the market maker will also be covered.

For advertising contact: —  
MARK LANIGAN  
Financial Advertisement Dept.  
Bracken House, 10 Cannon Street, London EC4A 3BY  
Tel: 01-243 8000 ext. 4181

A researcher-and manager at British Telecommunications Research Laboratories, Dr Nihal Anandral is moving over to consultancy with BPA (TECHNOLOGY MANAGEMENT CENTRE).

[illegible]

1.55	30, Capital Ave, K222 T.8.	01-440 7975	High Income	227.1
-	Low Income	231.6	Periodical Income	22.5
-	Low Income	236.9	Periodical Income	17.6
			Periodical Income	17.6

**CONTIN**



Manufacturers Life Insurance Co (UK) Property Growth Assur. Co Ltd 01-05

Manufacturers Life Insurance Co (UK)

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# Precious metals up on fears of unrest in South Africa

**RENEWED** concern about unrest in South Africa gave a further boost to precious metal markets yesterday, with the price of platinum in London outstripping gold at one point for the first time since the middle of last year.

Gold closed up \$1.5 from Friday's level at \$338.75 per ounce. This was its highest level so far this year. But in active trading, platinum was bid at \$1,111 higher than its London close on Friday.

Both gold and platinum exceeded \$340 at one point yesterday, but a late sell-off was followed by a recovery in the futures market took prices down.

The main reason for revived buying of both metals, which includes heavy buying by foreign investors, was the fear of disruption to South African production, particularly in the light of the strike which black mine-workers are threatening to begin this weekend.

The markets see President P. W. Botha's uncompromising speech to the National Assembly on Congress last Thursday in which he failed to outline specific and hoped-for reforms as likely to intensify the risks that political unrest could spread to the mines.

The South African connection to the recent rise in gold and platinum is underlined by the fact that there has been relatively little movement in the price of silver, a metal that is mined in many more places than the other two. The association with lead and zinc.

By far the bulk of the world's platinum supply is mined in one of the famous Merensky reef in South Africa. The total last year, South African output is expected to reach about 67.55 tonnes.

AFTER TWO unsuccessful attempts, the 33-nation International Natural Rubber Organisation will hold a special meeting here on September 3 to appoint a new buffer stock manager. BSM's first task it appears that Mr Aldo Hoffmeister, the candidate nominated, will get the job.

Mr Hoffmeister, who is natural rubber purchasing manager with the American tyre company, Uniroyal, has been nominated by the U.S., which has agreed to drop its two earlier nominees to break the six-month deadlock. The BSM job is traditionally reserved for an American.

Mr Hoffmeister will take over from Mr Harvey Adams who will leave in October.

The BSM's job is seen as crucial at this stage as heavy buying to support sagging prices has pushed the buffer stocks down from 270,000 tonnes to more than 320,000 tonnes within a matter of weeks. This resulted

in Inro cutting its intervention prices by 3 per cent last week.

There is concern among Inro members that given the present situation of depressed prices, with supply outstripping demand, the buffer stockpile

Month	Stockpile (thousands of tonnes)
Jan 1984	170
Feb 1984	180
Mar 1984	200
Apr 1984	240
May 1984	230
Jun 1984	210
Jul 1984	190
Aug 1984	180
Sep 1984	190
Oct 1984	180
Nov 1984	170
Dec 1984	175
Jan 1985	180
Feb 1985	170
Mar 1985	175
Apr 1985	170
May 1985	170
Jun 1985	170
Jul 1985	170
Aug 1985	170
Sep 1985	170
Oct 1985	170
Nov 1985	170
Dec 1985	170

might hit 400,000 tonnes within a couple of months.



**OFFICIAL** stocks of copper in London Metal Exchange warehouses rose by a further 10,350 tonnes last week, underlining the growing, if possibly temporary, surplus of metal.

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**LONDON METAL EXCHANGE  
WAREHOUSE STOCKS**  
(Changes during week ending  
August 16)

	(tonnes)
Aluminium	-350 to 144,200
Copper	+10,350 to 189,925
Lead	+1,000 to 34,050
Nickel	-20 to 3,470
tin	+20 to 28,595
Zinc	-975 to 14,550

(ounces)

Silver	+950,000 to 52,810,000
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● **YESTERDAY'S** weekly London tea auction ended with no changes in average tea prices. Quality grade was again unquoted while medium grade averaged 135p a kilo and low medium 102p a kilo.

new South Wales, I recently counted scenes that would have been the pride of the greatest Australian landscape painters, whose works fetch good sums at art market counters.

There, by the road, were drovers and their dogs, hunched round camp fires, guarding hands of dishevelled sheep who were foraging in the long waddock (the roadside grass) because of the drought which has evicted them from their farms.

About a third of NSW is affected, but then drought is always present somewhere in Australia.

What is angering Australia's farmers most at present is not the drought but the way the claim they are being crushed between external trade protectionism on the one hand, and rising farm costs on the other to the extent that the National Farmers Federation (NFF) recently organised one of the biggest protest marches seen in Australia since the Vietnam War.

plus much of the rural population, is Mr Ian McLachlan, a sheep cricketer and son of Australia's cricketer who is on the board of Elders Ltd. Melbourne-based pastoral-finance conglomerate, and who has been NFF president since 1984.

To date, says Mr McLachlan, the farmers have tried to give Mr Bob Hawke's Labor Party Government in Canberra a fair go.

But Australian agriculture, he says, is at a major crossroads. "If we take the right direction, farm output will grow and help to improve the living standards of all Australians. If we are forced down the wrong one, the farm sector will continue to contract and the national economy will be weakened further."

He says that Australian farming faces two major problems. First, there is the slaughter by the Government of export subsidies caused by subsidised exports from Europe, which has affected (in some cases severely

habitat stew. After the guests had all expressed their satisfaction and congratulated their hosts for the quality of the eggs on the dish, whereupon the guests were promptly sick. This proves that one appetite depends not only on the taste and presentation of the meal, but also on what the consumer imagines to be its origins.

A lot of people do worry about the welfare of farm animals, and this does condition their purchasing tastes. For instance at the moment free range eggs are all the rage, and certain supermarkets are selling eggs under this supply so that one does not have to go to the depths of the country to find them, but can buy them at a premium in city centres.

There is certainly no difference between free range and battery eggs from the nutritional standpoint, so I am told. But in the customer's eye there is a very great difference between the eggs from hens com-

or breathe the outside air.

If the conditions under which the eggs are produced revolve around the consumer, he or she will be able to make a great effort to find supplies of acceptable origin, or do without. Those who advocate battery production reply to this argument by claiming that their form of egg production is the only one that produces the cheapest eggs and that should free range eggs be needed the cost would have to be raised because this is the classic argument with which all change has been resisted and was just as cogent as the argument that the market is challenged or the employment of children in the dark satanic mills. It has quite literally nothing to do with the case.

Because in fact prices on a free market, and eggs are a free market, are determined by supply and demand, and not by the costs of production. Egg producers get little help from the EEC.

The premiums being paid for

at risk from disease and the elements than those in batteries. Production cannot be as efficient because if they go outside the hens have to use energy for warmth, that they must be fed from foods and other predators.

But even if this is true, there is no doubt that in a properly managed free range set up, the birds have the opportunity to scratch and peck at the ground, hop up to perches or nest boxes and to live a crowded, but more or less natural life; and have

do not stray very far from the main house which besides providing shelter, where they get their food and drink, soon as the automatic feeders start up they can be seen flashing in.

Apart from free range there are other forms of housing which avoid batteries, but do give the birds considerable freedom without them risking the open air. These include a permanent covered run on the floor and what use did be called a henyard and which was quite common at one time. These

There are also premiums to be paid for free range porkers and in the vegetable line produce grown organically, that is without the use of what are wrongly called artificial manures, and of course sprays. As I said earlier there is no evidence that any of these products are more nutritious or even taste better than those produced under intensive modern systems. What governs the modern appetite is not the taste buds but the workings of the human mind.

33-5. Turnover: 8,650 tonnes. U.S.  
Prime Western: 41-41.75 cents per lb.

**MEAT**

**MEAT COMMISSION**—Average fatstock prices at representative markets. GB—Carcas. 96.30 p per kg lw (-0.79). GB—Sheep. 167.50 p per kg car dw (-0.07). GB—Pigs. 78.90 p per kg (-0.91).

**SMITHFIELD**—Pence per pound. Beef—Scotch killed pides 70-84.07; English forequarters 64.5-68.5; Uteair hind-quarters 68.0-80.0; Veal—Dutch hind and ends 138.0-140.0; Lamb—English small 72.0-75.0, medium 80.0-72.0; heavy 65.0-62.0; Scotch heavy 94-67.0. Imports: New Zealand Pl. 65.0-65.5; FX 64.5-65.0. Pork—English 100 lb

48.0-57.5, 100-120 lb 52.0-58.5,  
180 lb 46.0-53.0.

**JUTE**

JUTE—Aug/Sept shipment c a  
Dundee, BTC \$615, BWC \$510,  
\$490, BWD-\$485; c and F Antwerp,  
\$515, BWC \$510, BTD \$490,  
\$480; c and F Dundee, ex-India Ar  
shipment, 40 lb-10 oz \$20.00, 4  
7.5 oz \$19.22, 8 Twine \$28.33.

**WOOL FUTURES**

SYDNEY GREASY WOOL—Close

order: buyer, seller, business  
trailer cents per kg. Oct 911  
Dec 618.0, 621.0; March 823  
May 633.0, 637.0; July 634.  
Oct 622.0, 638.0; Dec 628.  
March 630.0, 650.0. Seller:

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**SPOT PRICES** — Chicago to  
18.50 (same) cents per pound  
York tin 584.0-57.0 (\$83.0-57.  
per pound. Handy and Arm  
bution 634.0 (\$38.5) cents  
ounce.



## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## \$ quiet ahead of GNP revision

The dollar closed little changed on the day in London, as dealers awaited today's revised figure on U.S. second quarter Gross National Product. It was generally expected the figure will be lower than the earlier estimate of 1.7 per cent growth, possibly rising by only 0.1-0.3 per cent. Trading was within a narrow range, with the dollar finding support at the DM 2.74 level. Another significant event today will be a meeting of the Federal Reserve Open Market Committee, but no change in U.S. monetary policy is anticipated.

The dollar touched a peak of DM 2.765 during the morning, but was unable to sustain this level, and slipped back on nervousness and reluctance to take positions ahead of the GNP revision. Towards the London close the dollar found some renewed demand, and managed to shrug off an unexpected \$1.5bn of temporary liquidity added to the New York banking system through customer purchases of Treasury bills by the Federal Reserve. The dollar finished at DM 2.763, compared with DM 2.757 on Friday, and also rose to FF 8.435 from FF 8.425 on Friday, and to Sfr 2.261 from Sfr 2.255 on Friday, and to Y236.75 on Bank of England

figures the dollar's index rose to 136.0 from 135.9. **STERLING** - Trading against the dollar in 1985 is 1.4325, July average 1.3763. Exchange rate index fell to 82.1 from 82.2. It opened at 82.1, and after rising to a high of 82.3 at 9 am and a low of 82.0 at 11 am, was steady at 82.1 for the rest of the day. Sterling held steady against the dollar, and gained ground against other major currencies as the Bank of England continued to give no encouragement on lower interest rates to the London money market. The interest rate

differential in favour of London, after last week's cut in German rates, lifted the pound to DM 3.8675 from DM 3.8575. It also improved to FF 11.531 from FF 11.5025, and Sfr 13.850 from Sfr 13.8250, and Y331. Sterling lost 10 points in terms of the dollar to 135.90-1.4000. **D-MARK** - Trading range against the dollar in 1985 is 3.4510 to 2.7575, July average 3.2134. Exchange rate index 128.9 against 118.8 six months ago. The D-mark closed unchanged against the dollar in Frankfurt

yesterday. The U.S. currency was quoted at DM 2.7585, after being fixed earlier in the day at DM 2.7647 compared with DM 2.7630 without intervention by the Bundesbank. Attempts to test highs at around DM 2.7650 proved short lived, but there was also strong resistance at DM 2.74. The rise in U.S. personal income and spending in July was in line with expectations, but may have helped support the dollar ahead of today's second quarter GNP revision. Falling German interest rates had little impact, with call money falling to 4.55 per cent by up to 0.3 per cent.

## STERLING INDEX

	Aug. 19	Previous
8.30 am	82.1	82.1
9.00 am	82.2	82.2
10.00 am	82.2	82.4
11.00 am	82.1	82.0
Noon	82.1	82.0
1.00 pm	82.1	82.0
2.00 pm	82.1	82.0
4.00 pm	82.1	82.2

## £ IN NEW YORK

	Aug. 19	Prev. close
Spot (\$1.3975-1.3985) 1.4015-1.4025	1.4015	1.4015
1 month (\$1.4015-1.4025) 1.4015-1.4025	1.4015	1.4015
3 months (\$1.4015-1.4025) 1.4015-1.4025	1.4015	1.4015

Forward premiums and discounts apply to the U.S. dollar.

## FINANCIAL FUTURES

## Eurodollars up

Eurodollar prices were firmer in the London International Financial Futures Exchange yesterday despite a firm Federal funds rate. The market remained optimistic that cash rates would fall and that the U.S. authorities would soon reduce the discount rate. In the short term, however, there appeared to be little incentive to move much outside today's revised second quarter GNP figures. Early trading saw values pushed firmer in good two-way business before selling took the upper hand just before

the opening of Chicago. A rise in U.S. personal income was much in line with expectations although spending figures were seen by some as disappointing. Short covering in the bonds sector tended to drive values still firmer during the afternoon but almost inevitably selling developed at the higher levels. Sterling-based instruments were confined to a relatively narrow range in quiet trading. The market appeared to be divided as to the prospects for interest rates in the light of sterling's performance against the dollar.

## LONDON

THREE-MONTH EURODOLLAR \$1m				
Points of 100%				
	Close	High	Low	Prev
Sept	91.92	91.96	91.89	91.85
Oct	91.55	91.58	91.52	91.45







**"Recent Issues" and "Rights", Page 26  
(International Edition Page 30)**

**This service is available to every Company dealt in on Stock  
Exchanges throughout the United Kingdom for a fee of £800 per  
annum for each security.**







## WORLD STOCK MARKETS

## AUSTRIA

Aug. 19	Price	±
Creditanstalt	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10
Erste Bank	565	+10

## BELGIUM/LUXEMBOURG

Aug. 19	Price	±
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10
B.S.L.	2,010	+10

## DENMARK

Aug. 19	Price	±
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2
Andelsbanken	325	+2

## FRANCE

Aug. 19	Price	±
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1
Emprunt 4 1/2 1987	1,688	+1

## NETHERLANDS

Aug. 19	Price	±
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5
ADF Holdings	249.5	-0.5

## AUSTRIA (continued)

Aug. 19	Price	±
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01
Gen. Prop. Trust	2.34	+0.01

## JAPAN (continued)

Aug. 19	Price	±
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19
Mitsui	351	+19

## CANADA

## TORONTO

## Prices at 2:30pm

## August 19

Stock	High	Low	Close	Change
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5

## MONTREAL

## Closing prices August 16

Stock	High	Low	Close	Change
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5
3720 Tensar B 1	220	215	220	+5

## INDICES

## August 19

Index	High	Low	Close	Change
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5

## OVER-THE-COUNTER

## Nasdaq national market, 2:30pm prices

Stock	High	Low	Close	Change
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5

## LONDON

## Chief price changes

## (In pence unless otherwise indicated)

Stock	High	Low	Close	Change
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5
15500 Car. Res.	185	180	185	+5

## UK COMPANY NEWS

## IN-DEPTH REPORTING DAILY IN THE FT

## FINANCIAL TIMES

## EUROPEAN BUSINESS NEWSPAPER



**Prices at 3pm August 19**

OnEd pr3.02 19. Y 273 303

**Continued on Page 33**



**Prices at 3pm, August 15**

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**Continued on Page 3**



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Midsummer lethargy takes hold

DESPITE cloudy skies over Manhattan yesterday, Wall Street slumbered peacefully through a session of midsummer lethargy, writes Terry Byland in New York.

Attendance in the stock market was down, and the big investment institutions showed little interest in either stocks or fixed-interest securities.

At 3pm the Dow Jones industrial average was 1.34 higher at 1,313.96.

The financial markets are expected to trade sluggishly for the next fortnight, which is the vacation season in New York.

Those traders still at their posts waited cautiously for the week's economic data which are a guide to the pace of the U.S. economy. Today brings the Commerce Department's revised estimate of GNP for the second quarter. Wall Street hopes for a slight upward revision of the 1.7 per cent growth previously estimated.

Stocks gained little benefit from renewed firmness in the bond market, which has now recouped the setback that followed Thursday's disclosure of a massive rise in money supply.

Wall Street believes that today's meeting of the Federal Reserve Open Market Committee (FOMC) will leave credit policy unchanged, in accordance with its down-

grading of money supply as a policy factor.

The reduction in business in the past week was reflected in cuts in broker loan rates by U.S. Trust and Bankers Trust.

Hewlett-Packard, the latest high-technology company to report progress, eased 5/8 to \$35 1/2 after announcing lower earnings for the third quarter.

The rest of the technology sector held steady, with IBM 5/8 up at \$26 1/2, Burroughs 3/4 up at \$62 1/2 and Honeywell 5/8 higher at \$63 1/2. AT & T, at 20 1/2, rose 5/8.

Aerospace and defence stocks continued to find supporters, with the exception of General Dynamics which eased 3/8 to \$78 1/2. Boeing, at \$47, was unchanged.

Union Carbide at \$52 1/2 held steady, helped, perhaps, by demonstrations of loyalty by the workforce. Du Pont added 3/8 to \$57 1/2 and Dow Chemical 5/8 to \$35 1/2.

But pharmaceutical issues benefited from brokerage recommendation, as well as from the less confident trend of the dollar. Merck continued to lead the way, adding 5/8 to \$115 1/2.

Pfizer, 5/8 up at \$48 1/2, also improved, and Upjohn, still buoyed by optimism for the anti-baldness medicine, edged up 1/8 to \$11 1/2.

K mart, the leading discount retailer, eased 5/8 to \$33 1/2 after confirming a recent boardroom warning that profits had slumped badly. Other retail stocks softened on this fresh evidence of difficult trading in the store business.

Sears dipped 3/8 to \$35 1/2 and J. C. Penney 5/8 to \$48 1/2. But once again, there were buyers for Federated Department Stores, 5/8 higher at \$57 1/2.

The Detroit auto stocks rallied from their recent weakness, General Motors putting on 5/8 to \$66 1/2 and Ford 5/8 to \$43 1/2.

Pan Am continued to trade briskly, with the stock down 5/8 at \$7 1/2 as the market digested the disclosure that Resorts International, the hotel and gambling concern, has taken a 3.3 per cent stake in the equity.

TWA, awaiting the boardroom decision on the next move in the bid saga involving Texas Air, Mr Carl Icahn, and the group led by the governor of Illinois, held steady at \$22 1/2. Pan Am said it might buy some TWA assets.

The most active stock on the New York Stock Exchange was, once again, Middle South Utilities, unchanged at \$9 1/2 as the market showed divided views on the company's financial position. Consolidated Edison put on 5/8 to \$33 1/2, while Southern California Edison at \$24 1/2 was up 5/8.

In the bond market, prices moved on thin business from the trading house, while the retail institutions stayed on the sidelines. After a slow start, the longer end improved, fostered by a round of \$1.5bn customer repurchases by the Federal Reserve when federal funds stood at 8 per cent.

Funds later moved lower but Treasury bill rates remained firm ahead of the traditional auction, as well as the sale of two-year notes at mid-week.

### TOKYO

## Interest rate optimism spurs upturn

GROWING optimism for lower interest rates led investors to buy giant-capital stocks, sending equities higher in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.

Some speculative issues also climbed amid growing concern over high prices. The Nikkei-Dow market average added 27.74 to 12,640.05, the fifth consecutive daily gain. Volume weakened to 362m shares while advances outnumbered declines 408 to 336, with 147 issues unchanged.

The 225-issue index has now recovered half the ground lost in the technical retreat from its July 8 all-time high of 13,040.

Mitsubishi Heavy Industries firmed Y12 to Y351, topping the most active list with 34.21m shares traded. Nippon Steel, third busiest with 16.99m shares, gained Y3 to Y176.

Speculative constructions soared. Dai-ichi Construction jumped Y75 to Y400 on speculative buying for immediate capital gains. Ando Construction surged Y46 to Y380 and Nissan Construction Y18 to Y365.

Shinwa Kaimo scored a maximum daily gain of Y80 to Y336 on heavy purchasing by speculators. Sanko Steamship, which applied for court protection under corporate rehabilitation law last Tuesday, moved between Y11 and Y13 in a "money game" by speculators and closed Y1 down at Y13.

Japan Air Lines fell Y400 to Y5,600, reflecting anxiety over possible claims arising out of its jumbo jet crash last week.

Blue chips were mixed, while some biotechnology-related stocks advanced. Daiichi Pharmaceutical rose Y100 to Y3,640 and Takeda Chemical Y28 to Y868.

Bond trading was active, bolstered by institutional investor expectations for a reduction in Japan's official discount rate.

The yield on the 6.8 per cent government bond due in December 1994 fell from 6.235 per cent to the lowest level for this year of 6.205 per cent.

### SINGAPORE

LATE profit-taking in Singapore sliced early gains off some shares, and most ended mixed, with price changes mainly narrow.

DBS traded heavily to end steady at S\$4.90 after 710,000 shares changed hands in other banks, ICB, which released lower interim results, lost 6 cents to S\$4.70. OUB was unchanged at S\$2.61 ahead of lower half-year earnings, and OCBC and Malayan Banking were also steady at S\$4.05 and S\$5.70 respectively.

Elsewhere, Singapore Press added 5 cents to S\$5.55 while Keppel Shipyard lost 2 cents to S\$1.16 and Sime Darby drifted 1 cent lower to S\$1.82.

### AUSTRALIA

STRONG DEMAND for golds, which sent the index to a record high, did not flow into other sectors in Sydney, and most issues ended the day easier.

A spurt of late selling followed nervousness ahead of today's federal budget announcement.

Among higher golds, Central Noraman added 20 cents to A\$0.88, GMR 55 cents to A\$1.05, and Kidston, Poseidon and Sons of Gwalia 30 cents each to A\$6.00, A\$4.60 and A\$3.20 respectively.

### CANADA

SLUGGISHNESS continued in Toronto as stocks fell back in trading.

Gold stocks remained the strongest performers, and Dome Mines traded 1/4 higher at C\$13 1/2. In other miners, Noranda rose C\$4 to C\$17 1/2 while Sheritt Gordon moved C\$4 lower to C\$8 1/2.

In oils, Dome Canada added C\$3 to C\$7 1/2, PanCanadian Petroleum shed C\$1 to C\$3 1/4 and Banger eased C\$4 to C\$5 1/4.

Industrials, utilities and banks all edged lower in Montreal.

### EUROPE

## Divergent views come to surface

MIXED FEELINGS about the course of interest rates in Europe surfaced on the larger bourses yesterday, fuelling divergent trading while some of the smaller exchanges managed modest progress.

Frankfurt was caught between profit-taking and a measure of disappointment that the Bundesbank did not cut interest rates by more than the 1/2 percentage point last week. The Commerzbank index reflected the weaker tone, particularly in car and bank stocks, and dropped 14.4 to 1,404.1.

BMW bore the brunt of the weaker car sector with its DM 11 setback to DM 425.50, and VW lost DM 6.50 to DM 310.50. The recent interest-rate cuts firmed stores, with Karstadt DM 4 stronger at DM 245, although banks lost ground, with Deutsche Bank DM 6.50 cheaper at DM 550.

Builder Holzmann, also likely to benefit from cheaper money, added DM 4 to DM 459 despite repeated noises from the board over lower output for the group. Fellow builder Hochtief surged DM 20 ahead to DM 680.

Metals processor Degussa advanced DM 3.30 to DM 365.80, and Thyssen dipped DM 1.70 to DM 119.20 amid reports that Commerzbank had nearly doubled its stake in the steel group. The bank, which strongly denied the reports, lost DM 4.80 to DM 203.

Bond prices inched ahead, and the Bundesbank managed to feed DM 19.2m of paper into the market after Friday's sales of DM 50.9m.

Amsterdam was mixed. Last week's interest rate moves offered a degree of support to prices with ABN's FI 7 rise to FI 512 dwarfing the meagre progress made elsewhere. Interest in the bank was rekindled on further consideration of results.

Strong domestic and foreign demand boosted bond prices by up to 60 basis points.

Brussels, refreshed from its holiday break, traded lower in thin volume. Market leader Petrofina retreated Bfr 50 to Bfr 5,800 while in chemicals Solvay lost Bfr 95 to Bfr 4,435 after a very weak opening and UCB dipped Bfr 125 to Bfr 4,985 on reports that the sector is poised for a weak second half.

Metals were particularly mixed given the scarcity of activity. Hoboken suffered a sharp Bfr 280 drop to Bfr 5,200 while Vieille Montagne picked up Bfr 60 to Bfr 7,250.

Milan was dominated by position squaring although selective interest surrounded a number of issues.

Montedison firmed L50 to L2,050, and Gemina, which holds a 17.1 per cent interest in the chemicals group, held steady at L1,039. Bi-Invest, which is at the centre of a contested takeover battle by Montedison, lost a further L80 to L5,500 after last week's sustained losses. Olivetti turned cheaper with a L40 setback to L6,270 although Fiat gained L40 to L6,011.

Pirelli secured a L290 advance to L2,200 on consideration of its merger plans with Caboto, whose shares rose 1.6 per cent to L11,540.

SIP, the public-sector telephone group, put on L176 to L2,650 on reports that a significant stake in the group might be sold to the private sector.

Madrid made a strong start to the week. Chemicals featured, with Española de Petrolés firming 5 percentage points to 131 per cent of nominal value while Aragonés traded 2.50 points up to 123.50 per cent. Explosivos Rio Tinto picked up half a point to 45.50 per cent. Telephone monopoly Telefonica eased 0.25 points to 117.50 per cent.

Car makers were hard hit in a slightly weaker Stockholm. Volvo dropped SKr 8 to SKr 235 while Saab-Scania lost SKr 15 to SKr 405.

Sandvik and Astra moved against the trend with SKr 10 gains to SKr 420 and SKr 410 respectively, while Skandia managed to hold a SKr 5 rise to SKr 340. Asea was steady at SKr 295 ahead of a large defence equipment order from Norway. Zurich finished steady to higher while Paris was mixed.

### SOUTH AFRICA

GOLDS and other miners closed higher across the board in Johannesburg as the bullion price rose and the rand weakened further.

The market continued to be cautious, however, ahead of the planned miners strike on August 25 and amid news that Reserve Bank had cut its interest rate by 1.75 percentage points in an effort to restore confidence in the wake of sanctions and domestic turmoil.

Among leading gold issues, Randfontein added R8 to R200, Vaal Reefs R7 1/2 to R182, Anglo American Gold R7 1/2 to R177 and Driefontein R1 to R47.

Mining financial Anglo American added R70 cents to R29.70, and Gold Fields added R1 to R32.

Platinum stocks also firmed as international prices for the metal moved higher.

### HONG KONG

RECORDS fell in Hong Kong as strong investor sentiment pushed prices markedly higher. The Hang Seng index rose 11.14 to 1,711.51, its best level since August 24 1981 when it closed at 1,717.27.

Property issues gained from the Government's announcement that it planned to resume land auctions in September. Cheung Kong rose 60 cents to HK\$19.40, Sun Hung Kai 20 cents to HK\$13.90 and Hongkong and Kowloon Wharf 5 cents to HK\$7.40.

Utilities also firmed well, with China Light adding 20 cents to HK\$18.30 and Hongkong Telephone rising 5 cents to HK\$9.45.

### LONDON

LEADING blue chips opened a shade firmer in London but drifted back on general lack of interest to close with widespread modest falls on balance.

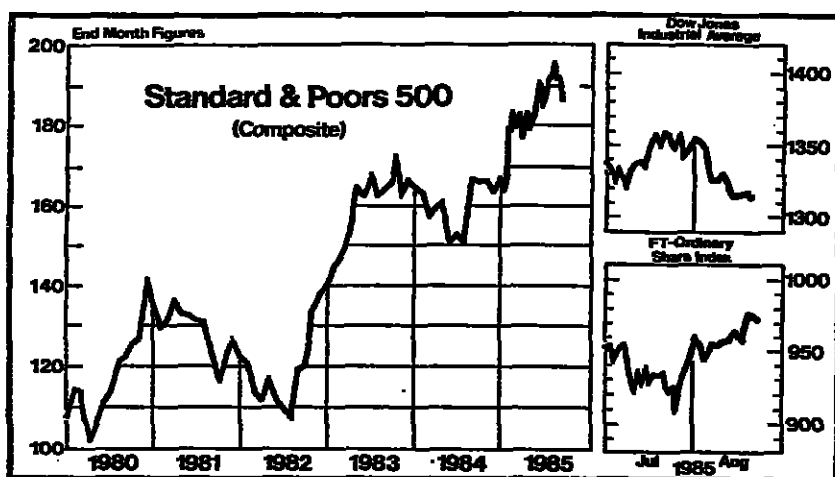
The FT Ordinary share index ended 2.6 lower at 972.1.

The only sector to display any sustained strength was newspapers where Fleet Holdings jumped 13p to 323p.

Business in gifts was reduced to a trickle, and most stocks closed with gains of about 1/4.

Chief price changes, Page 31; Details, Page 30; Share information services, Pages 22-23.

### KEY MARKET MONITORS



STOCK MARKET INDICES				
	Aug 19	Previous	Year ago	
NEW YORK				
DJ Industrials	1,313.96	1,312.72	1,211.50	
DJ Transport	571.23	566.76	514.71	
DJ Utilities	158.03	157.21	128.69	
S&P Composite	186.78	186.10	164.14	
LONDON				
FT Ord	972.1	974.7	833.2	
FT-100	1,294.9	1,299.1	1,078.0	
FT-AE share	626.54	626.0	507.36	
FT-A 500	584.79	585.76	548.76	
FT-A 100	317.4	300.3	273.2	
FT-A Long gilt	10.26	10.27	10.27	
TOKYO				
Nikkei-Dow	12,640.05	12,593.08	10,449.5	
Tokyo 30	1,016.80	1,011.88	808.86	
AUSTRALIA				
All Ord	954.2	958.2	739.9	
Metals & Mins	549.5	549.7	468.3	
AUSTRIA				
Credit Aktien	99.11	98.08	63.33	
BERLIN				
Belgen SE	2,318.2	2,320.44	-	
CANADA				
Toronto				
Metals & Mins	2,077.7	2,073.7	2,015.0	
Composite	2,789.4	2,791.5	2,338.3	
Montreal				
Portfolio	135.98	136.11	115.44	
DEMARK				
SE	n/a	215.55	193.27	
FRANCE				
CAC Gen	215.9	215.9	162.3	
Ind. Tendance	122.9	123.0	86.5	
WEST GERMANY				
FAZ-Aktien	476.52	481.14	339.25	
Commerzbank	1,404.1	1,418.5	964.2	
HONG KONG				
Hang Seng	1,711.51	1,700.37	908.34	
ITALY				
Borsa Comm.	357.84	352.91	216.82	
NETHERLANDS				
ANP-CBS Gen	214.5	214.8	160.9	
ANP-CBS Ind	189.7	189.6	128.5	
NORWAY				
Olo SE	350.20	348.14	260.0	
SINGAPORE				
Straits Times	758.79	758.29	938.68	
SOUTH AFRICA				
JSE Golds	-	945.5	972.8	
JSE Industrials	-	928.8	829.8	
SPAIN				
Madrid SE	111.93	111.43	97.79	
SWEDEN				
J & P	1,317.07	1,325.76	1,502.77	
SWITZERLAND				
Swiss Bank Ind	461.5	461.6	382.2	
WORLD				
Capital Int'l	Aug 16	Prev	Year ago	
	217.8	218.1	182.0	
GOLD (per ounce)				
	Aug 19	Prev		
London	\$330.75	\$337.25		
Zurich	\$330.75	\$330.75		
Paris (filing)	\$326.72	\$335.08		
Luxembourg	\$338.75	\$335.00		
New York (Oct)	\$341.50	\$341.20		

CURRENCIES				
	U.S. DOLLAR	STERLING		
(London)	Aug 19	Previous	Aug 19	Previous
\$	2.765	2.7575	3.8675	3.8575
Yen	228.2	228.75	381.5	381.0
FFr	8.435	8.42	11.81	11.8025
SwFr	2.261	2.2585	3.165	3.155
Goldfr	3.111	3.1	4.355	4.3375
Lira	1,852.0	1,845.0	2,581.0	2,581.0
Bfr	56.05	55.8	78.35	78.05
C\$	1.3555	1.3535	1.8985	1.8945
INTEREST RATES				
	Aug 19	Prev		
Euro-currencies (3-month offered rate)				
\$	11%	11%		
SwFr	4%	4%		
DM	4%	4%		
FFr	11%	11%		
FT London interbank fixing (offered rate)				
3-month U.S.\$	8%	8%		
6-month U.S.\$	8%	8%		
U.S. Fed Funds	7 1/2%	7 1/2%		
U.S. 3-month CDs	7 1/2%	7 1/2%		
U.S. 3-month T-bills	7 1/2%	7 1/2%		
U.S. BONDS				
	Aug 19	Prev		
Treasury				
8% 1987	100	8.87	100	8.87
10% 1992	101 1/2	10.07	101 1/2	10.12
10% 1995	101 1/2	10.216	101 1/2	10.27
10% 2015	101 1/2	10.508	100 1/2	10.56
Corporate	Aug 19	Prev		
AT & T				
10% June 1990	100%	10.23	100%	10.23
3% July 1990	83%	8.15	83%	10.15
8% May 2000	83%	11.05	83%	11.05
Xerox				
10% March 1993	99%	10.80	99%	10.80
Diamond Shamrock				
10% May 1993	99%	10.85	99%	10.85
Federated Dept Stores				
10% May 2013	92.70	11.50	92.70	11.50
Abbott Lab				
11.80 Feb 2013	101.632	11.60	101.632	11.60
Alcoa				
12% Dec 2012	100.746	12.15	100.746	12.15

FINANCIAL FUTURES				
	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%	77-05	77-05	76-19	76-24
U.S. Treasury Bills (TBM)				
91m points of 100%	92.95	92.97	92.90	92.93